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The political challenges of foreign investments: Insights from South Africa's banking sector

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ABSTRACT

The political challenges of foreign investments: Insights from South Africa's banking sector.

Over the past few decades, research on factors fundamental to attracting investments burgeoned as researchers tries to understand better, the various conditions favourable to foreign investors. In Africa, however, literature on the bigger and more important question about the determinants of FDI has limitations owing to lack of depth, specificity and focus on individual countries, industries and the actual factors posing challenging to investors. The overarching purpose of the study is to advance and deepen knowledge on the political investment climate of South Africa, and it stemmed from the observation that the existing body of knowledge lacks depth and specificity in terms of literature on the bigger and important phenomena of the FDI determinants in individual African countries. This thesis is therefore, a gap-based project carried out to examine the political investment climate of South Africa, in order to identify and understand better, the political factors and challenges facing investors in the banking sector, knowledge of which is envisioned useful for painting a clearer picture of the political investment climate to foreign firms in South Africa.

Researching from a qualitative methodological approach and a post-positivist perspective, the study sought for the perceptions of participants from the banking sector through semi-structured interviews with 34 officials from foreign banks, local banks, identified government departments and intermediaries, who were sampled using mainly the purposive and snowballing sampling techniques. Participants were asked similar open-ended questions, giving them voice to talk richly about their experiences in the light of the political investment climate, allowing the study to decipher the nature of the political challenges in the banking sectors of South Africa. A general inductive analytical approach to data collection and analysis was adopted. Data were collected and analysed through an analytical framework that the study developed. Thus, a framework developed to better conceptualise the current state of knowledge was used as a guide to develop the analytical lens through which the present feedback were analysed. A thematic analysis approach was regarded appropriate in order that the nature of the political challenges could be understood in a richer context.

The outcome from this study is a new framework of political challenges and risks, developed to demonstrate that South Africa has its own unique political factors that impinge on business operations. The framework comprises of a web of interconnected themes, namely; socio-economic challenges, government institutions, political corruption and regulatory frameworks, which together, help paint a rich picture of the political investment climate of South Africa. Further, the framework dissects the political challenges to reveal their complex nature in terms of the sources, events constituting political challenges, and the subsequent impact on the operations of banks. The framework has also been linked and argued for in the light of the political challenges and risk classifications suggested in literature, which successfully helps locate this study within the FDI determinants body of literature. By so doing, the framework tries to shed light on the political investment climate of South Africa to foreign investors, thereby advancing knowledge on bigger and important phenomena of FDI determinants in South Africa.

The thesis therefore fills the gaps in knowledge that resulted mainly from treating Africa as one huge country, as it reveals the existence of the political investment climate obstacles that are unique to South Africa and have not been exposed in such a manner, hitherto this study. As a way forward, the study suggests for future research, focused research to expand knowledge on the various investment climates in Africa, in order to understand better, and to theorise sufficiently, the actual nature of challenges that impedes investment operations. Such specific knowledge is critical to the understanding of conditions favourable to FDI flows to African locations.

DECLARATION OF AUTHORSHIP

I, Efrider Fifi Maramwidze declare that the work in this thesis was carried out in accordance with the regulations of Sheffield Hallam University (Sheffield Business School) and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other educational institution in the United Kingdom or Overseas. Any views expressed in the thesis are entirely mine and in no way represent those of the Sheffield Hallam University.

Signed………………………………………………………………………………………....

Dated…………………………………………………………………………………………….

DEDICATION

Cordillia Evangelista Mbirizah and Patrick Takudzwa Kasu, I dedicate this project to you. You receive divided attention during your early childhood because I was always chasing after academic excellence. To you two, I dedicate all I have worked for, my blood, my tears, my sweat and mostly the joy that this highest academic project I aimed for, can ever bring to us as a family. I have no regrets about the past, but I wish I could rewind a little and see you grow. This is a pace-setter for you kids - Climb even higher, for I believe you can. I love you Cordi!! I love you Patie!!

I would also like to dedicate this Doctoral project to my parents. Firstly to my mother, Egnes Maramwidze, without any doubt mom, your support and counsel is the wind under my wings. To my dad, Gibson Maramwidze, I hope you are smiling wherever you are dad, for I also dedicate this work to you. It is because of your guidance and words of wisdom that I am the woman I am today.

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My good honest Lord God the father, the son and the Holy Spirit "thank you for seeing me through this terrific project, and mostly because my sanity is still intact".

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I would write pages and pages of names if I were to mention everyone who supported, advised, responded to queries, provided a shoulder to cry on or cheered my soul. Therefore, to all those who I have not mentioned by name, particularly colleagues at Sheffield Hallam University, I would like to say I am equally grateful and thankful.

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LIST OF ABBREVIATIONS & ACRONYMS

ANC	African National Congress
ASEAN	Association of Southern and Eastern Asian Nations
AFRIHERO	African Higher Education Research Observatory
BEE	Black Economic Empowerment
BESA	Bond Exchange South Africa
BBBEE	Broad Based Black Economic Empowerment
BIT	Bilateral Investment Treaty
BRICS	Brazil, Russia, India, China and South Africa
DTI	Department of Trade and Investments
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GEAR	Growth, Empowerment and Redistribution
ICC	International Chamber of Commerce
IMF	International Monetary Fund
IEF	Index of Economic Freedom
ICC	International Chamber of Commerce
JSE	Johannesburg Stock Exchange
LDC	Less Developed Countries
MENA	Middle East and North Africa
NGP	New Growth Path
NEPAD	New Partnership for African Development
OECD	Organisation of Economic Co-operation and Development
RBSA	Reserve Bank of South Africa
RDP	Reconstruction and Development Programme
SA	South Africa
SADC	Southern African Development Community
SAFEX	South African Exchange
SAFPI	South Africa Foreign Policy Initiative
UNCTAD	United Nations Centre for Trade and Development
WB	World Bank
WFTU	World Federation of Trade Union

1 CHAPTER ONE: INTRODUCTION

1.1 Contextual background

Research into the various aspects of Foreign Direct Investment (FDI), specifically its benefits to host countries and the locational determining factors, has gained momentum in the international business literature over the past few decades. In a book recently published by Kumar (2013), evidence compiled suggests that FDI continues to be regarded as a significant factor capable of jolting developing countries out of their economic comas through its ability to facilitate sustained economic growth and development (Wang, 2009; UNCTAD, 2013).

FDI, a factor regarded as a stimulant for economic growth (Wang, 2009), is defined as an investment that involves a long-term relationship that reflects a long-lasting interest and control of residents' business in one economy in an enterprise resident in a different economy of the direct investor (UNCTAD, 2013; 2014). FDI is renowned for its ability to facilitate and accelerate economic growth through various channels (Lipsey, 2004) which is what most emerging and developing countries need (Markusen and Venables, 1999; Adams, 2000; Mohamed and Sidiropoulos, 2010; NEPAD, 2010). Emerging countries, according to Schneider and Frey (1985) are those countries that are experiencing rapid growth in terms of industrialisation and economic growth for example; developing countries are those experiencing low levels of industrial change and underdeveloped socio-economies. However, both are believed to require trade and trade partners from around the globe.

Through FDI, countries could benefit directly from inflow of foreign currency, which could be a useful source of income to finance development projects and to finance income deficits (Perez, 1997; Markusen and Venables, 1999; NEPAD, 2010) or indirectly from spill-overs such as: employment generation, infrastructure development, technological knowhow and new innovations, leveraging domestic industry growth and access to global markets, thereby boosting a country's exports, national savings, enabling governments to fund investments and development programmes such as educating and improving the human capital, health facilities, water and sanitation amongst many other essential social and economic aspects (Markusen and Venables, 1999; Dupasquier and Osakwe, 2003; Quazi, 2014).

Given the knowledge that developing countries in Africa have growth and development challenges, and that most of her countries are afflicted with many social and economic ills such as poverty and unemployment and the understanding that FDI could stimulate the growth and development most

countries desperately needs, research on the factors promoting or hindering FDI remains significantly important (Morisset, 2000; Asiedu, 2003, 2006; UNCTAD, 2009, 2013; NEPAD, 2010) in order to keep adding knowledge on what supports and obstructs the flows of FDI in different locations. African countries, for example, are capital-poor, lacking enough national savings to be able to fund its domestic investments or sustain development projects. According to the UNCTAD (1999, 2009) and World Bank (2010, 2013) most African countries fall in the developing or less-developed countries category, and their internal sources of financing are, in most cases, insufficient to finance current account deficit or developmental projects (UNCTAD, 2006, 2009; NEPAD, 2010). African governments relied on foreign capital, which came in the form of bank loans, FDI and portfolio equity investments, and to some extent foreign aid (Demirhan and Masca, 2008). These forms of capital such as portfolio equity and bank loans are however, seen as mostly short-term, unreliable, volatile, unsustainable and somewhat bear more problems than solutions (Klein, 2003; UNCTAD, 2013). Most African countries incurred huge debts, owing the IMF a lot of money, resulting from interests on bank loans. As for the portfolio equity, the nature of investment entails that the investor is not committed to endure challenges that may arise in the foreign market, which means, foreign investors can withdraw their investments anytime. Because of the challenges of other forms of capital, international organisations such as World Bank and the United Nations Centre for Trade and Development (UNCTAD) started to encourage African government to attract foreign direct investments, a form of capital inflow that is seen as long-term and sustainable.
Africa's FDI levels remains relatively low (NEPAD, 2010) For example, in the period 2000 -2009, Africa's FDI inflows were 3.2% of the world FDI inflows to the developing countries, several times less than the flows to the Asian region, which received about 19.1% during the same period (UNCTAD, 2011, 2013). The World Bank (2012) reports that FDI inflows to Sub Sahara Africa (SSA) for example, were the lowest during the period 2010-2011 because the region received around 2% of the FDI world share. In the UNCTAD (2013) report, the global FDI levels are said to be dwindling, falling by 18% in 2012, and although Africa's share increased during that period, it is concentrated in only a few countries, which the World Bank describe as oil and mineral rich countries such as Nigeria, Angola and South Africa (NEPAD, 2010; UNCTAD, 2013, 2014).
Generally, the current FDI statuses in most African countries are therefore disconcerting, hence the continued research efforts seeking to understand better, the factors fostering and obstructing foreign investors in African countries.

To date, there has been a rapid response in academic research to understand the factors that need to be given attention to in the FDI attraction endeavours, by conceptualising and researching the factors that determines the choice of FDI location. As a result, there is a large body of knowledge, and still burgeoning, because of the need to understand better, the bigger and more important question about the factors affecting FDI inflows in various locations. Clearly, the assumption that FDI brings with it, direct and indirect social and economic benefits, is impetus enough for governments to pursue and attract FDI, and likewise, they are seem to be the major motivating factor for most researchers in the international business field.

The concern over Africa's FDI share has also aroused a great deal of desire to research the phenomenon of FDI determinants in African countries. As attested in literature, there are undying research interests motivating researchers to continue advancing knowledge on the factors influencing FDI the world over. In the context of Africa in general, quite a number of studies have been conducted in pursuance of the obstacles of inward FDI, the desire to contribute to knowledge that would improve Africa's share of FDI is the driving force behind the research efforts. For instance; Morisset (2000), Asiedu (2002, 2006), Naudé and Krugell (2003), Onyeiwu and Shrestha (2004), Akinkugbe (2005), Dupasquier and Osakwe (2006); Sichei and Kinyondo (2012) are some of the researchers that have attempted to address the problem of FDI limitations in Africa by exploring factors influencing the flows of FDI. In the context of South Africa, although quite limited, some invaluable insights that contributes to the knowledge of FDI attractions are also available (Tuomi, 2011; Fedderke and Simkins, 2012; Mosia, 2012; Cleeve, 2008; Wocke and Sing, 2013). Although not unanimous, the various contributors to current theories on FDI factors agree vastly, most of them demonstrating heterogeneous factors significant to the FDI operations and attractions. Amongst them market size (Vijayakumar et al., 2010; Sridharan and Rao, 2010; Ranjan and Agrawal, 2011), natural resources (Loree and Guisinger, 1995; Morisset, 2000; Asiedu, 2002, 2006; Deichmann et al. 2003; Mohamed and Sidiropoulos, 2010; Sichei and Kinyondo, 2012), government institutions (Wei, 2000; Busse and Heffeker, 2005; Barthels et. al, 2014; Sichei and Kinyondo, 2012), political factors (Busse and Heffeker, 2005; Jensen, 2008; Desbordes, 2010), infrastructures (Demirhan and Masca, 2008; Vijayakumar et al, 2010; Sichei and Kinyond, 2012).

1.1.1 Problem statement

However, despite the big and ever-growing body of literature on the factors fostering or obstructing the flows of FDI in the context of Africa, it is difficult to conceptualise sufficiently, the nature of the factors that influences FDI flows into individual African countries, let alone at industry levels. This is because most existing theoretical and conceptual frameworks are derived from research insights that focus on multiple countries and cross industry analysis, whilst disregarding the diversity of the African countries' backgrounds, which are, to a large extent, likely to be the basis of the business environments in which foreign investors operate. In addition, most of the studies are based on quantitative research that employs econometric models, uses hard data gathered from multiple locations, to then test the impact of a wide range of heterogeneous variables on FDI inflows. Furthermore, the concern of the existing researches appears to be mainly on the impact of those various variables rather than their nature and characteristics. Again, existing literature also comprises of numerous studies that catalogue similar factors believed to be significant to the flow of FDI in multiple countries.

In most cases, there is no further effort made to expand knowledge on the individual countries and in respect of the specific factors influencing the flows of FDI. Lacking such depth and detail because of lack of focus and specificity, it is impossible to conceptualise fully, the nature of the factors challenging investors that are unique to individual locations, which later hinders our understanding on the bigger and more significant research problem of FDI determinants and challenges in respect of those countries. More so, lacking detail and specificity further casts a shadow of doubt on the relevance of the theoretical and conceptual foundations to policy.

Because of the lack of focus and specificity, there is also a lack of clear and sufficient theoretical and conceptual framework from which to understand the nature of political factors and challenges affecting the operations of investors in the South Africa for example. Given the connection and significance of conceptual solutions to the practical problem of FDI attractiveness of Africa that academicians have pursued for decades, more focused and deeper research on the specific factors limiting the flows of FDI is necessary.

1.2 Purpose of the study

In response to such limitations in knowledge, this study takes a deeper and more focused approach, this time focusing on the political investment climate of the South African banking sector. The study explores the experiences and perceptions of not only foreign investors, but those of the local investors, the government and the intermediaries in order to compare, interrogate or support foreign investors input whenever necessary. The researcher believes that such individualised, focused and in-depth country investigations are significant for laying the theoretical and conceptual foundations for understanding the complexities of the factors determining the flow of FDI in South Africa, and other African countries.

The study seeks to explore the political challenges facing current investors in the banking sector of South Africa in an attempt to decipher the political challenges to FDI, which until today remains hazy, despite the growing body of literature on FDI determinants in Africa. Such knowledge is envisioned to help better our understanding on the political investment climate of FDI and may also inform policy in

South Africa and other African countries seeking to enhance their investment climates for the attraction of FDI. The overarching research question driving this research purpose is:

- **What are the political challenges facing foreign investors operating in the banking sector of South Africa; to what extent, and how do they influence the FDI inflows in South Africa?**

1.2.1 Research questions

To achieve this, the study poses these three investigative research questions:

- Research question 1: What are the political challenges and risks for the investors in South Africa's banking sector?
- Research question 2: How do political challenges and risks affect investors' operations?
- Research question 3: How can knowledge of political challenges and risks inform policy to enhance banking sector investment climate for foreign firms in South Africa and other similar economies?

1.3 Rationale and novelty of the study

This study responds to the bigger and more important research problem that researchers within the international business field are concerned about, by answering the direct question that seeks to find out the political challenges facing investors in the banking sector of South Africa, an in-depth picture needed in order to understand conceptualise clearly, the political challenges the country presents to FDI. It reveals the major political factors and challenges that are unique to South Africa in terms of their impact on current investors and in terms of how they may fit into the wider political challenges and risks conceptual frameworks on FDI inflows.

This study, unlike previous studies that were primarily concerned about assessing the impact of many heterogeneous variables, endeavoured to identify and dissect the political factors in order to understand deeply, their nature and characteristics at country and industry level. Its novelty therefore, which is multi-fold, comes from the uniqueness of the research approach, which considers 1) the heterogeneity of African countries and their business environments as per (Asiedu, 2002) writing, calling researchers to advance knowledge on FDI aspects specific to individual African countries, and focuses on a specific country in order to understand better, a specific factor regarded significant to the flow of FDI in a specific sector, 2) it also considers the amorphousness and fluidity of the aspects that are influential to inward FDI, which makes it difficult to quantify, and casts a microscopic eye on the political investment climate as the focal phenomenon (Jakobsen, 2010), and 3) triangulates the inputs from the government, foreign and local investors and intermediaries in order to reinforce, support or interrogate whenever necessary, the emerging findings in the light of the overarching research question. Thus, the study pursues the research phenomenon using a unique approach and then pieces together insights from a mixture of original point of views from different industry parties, forming an in-depth observation of the current political climate, instead of the usual quantitated predictions.

The study is likely to contribute significantly to the body of knowledge on the political investment climate of South Africa, by informing about a complex web of political factors and challenges that are distinctively unique to the South African banking sector specifically; 1) the challenge of political corruption that is seen through political leadership's negative impact on the formulation, enforcement and effectiveness of the economic policies and reforms, 2) the institutional challenges emanating from the rapid growth of various types of corruption, 3) the regulatory challenges, again linked to the political corruption, and the challenges of 4) socio-economic underdevelopment that are afflicting the country.

It also adds to the body of literature on FDI determinants, insights that may deepen our understanding on the wider political investment climate of FDI in South Africa and other countries of similar backgrounds. The new knowledge gained from the research could provide the key stakeholders to the research, a better understanding of how the political factors and challenges specific to South Africa are affecting current investors and why they constitute one of the potential factors that influences the flow of FDI. In the context of this study, the term stakeholder refers to the key participating organisations within the banking sector, namely, the actual business operators, the policy making and enforcement agencies, as well as the independent organisations or individuals with vested interest in the operation and regulation of the sector.

It is envisioned that the study could act as a blueprint for policy directions on how policy makers can shape the FDI investment climate, as the study informs on which particular aspect of the political economy has significant effect on current investors and FDI inflows.

Additionally, the study provides insights to: for example investors (regarding the investment climate challenges), policy makers (concerning efficacy of economic policies and strategies for attracting more FDIs to South Africa for its social and economic development), and academics/scholar (in form of new knowledge on the factors determining the flow of FDI and other approaches and practices for tackling similar research problems in FDI research) as well as highlighting the need to reinforce the theoretical and conceptual foundations with more focused insights.

1.4 Overview of the research contexts

This study examines the political investment climate of FDI in South Africa to identify the challenges facing investors in the banking sector and to analyse their impact upon the FDI perceptions in the banking sector.

Principally, the decision to focus on a single country emerged from observations derived from literature. Foremost, whilst studying literature on the determinants of FDI in African countries, the observations that Africa has been and is still receiving low FDI (Cleeve, 2008), aroused a desire to study the FDI phenomenon in Africa.

South Africa, however, emerged as an interesting case to focus on because it is undoubtedly, one of the most favoured destinations of FDI, as reports by international FDI trackers such as the World Bank, UNCTAD and the OECD claims. For instance, the OECD (2013) reports that South Africa received more FDI than its African counterparts, with its share ranging from 25 to 35% of Africa's total FDI. However, although the country's FDI share has been significantly high, South Africa is thought to be able to do much more than it has been performing (Fedderke and Simkins, 2012). Further, concerns are rising as to whether South Africa's FDI has long-lasting interest in the country or not since more of it seems to be portfolio investments (Fedderke and Simkins, 2012). These sort of concerns are further fuelled by the reports that South Africa is suffering from capital flight, which reportedly led to the country losing 4% of GDP period between 2003 and 2013 (UNCTAD, 2015). In as far as FDI flows are concerned, South Africa, although it remains one of the top FDI recipients in Africa, FDI flows have been softening. In the year 2014, South Africa's FDI fell by 31%, which was a fall from over 8 billion to just over 5 billion, according to the SARB (2014); UNCTAD (2014). In general, such reports on South Africa's FDI trends and performances make it an interesting case to study the determinants of its FDI at large, whilst focusing on a specific factor of analysis.

Then, the discovery that, although there are significant contributions to knowledge on the factors relating to the flows and patterns of FDI made by previous studies, knowledge is built from cross-country and cross-industry research, instigating the assumption that knowledge could be lacking reliable insights that are relevant to individual countries. Also, because it was quite surprising that not much research is focused on advancing knowledge on the most outstanding FDI drivers in terms of establishing the effects of robust FDI factors to individual countries. Simply put, many researchers are yet to consider Asiedu (2002) suggestion that Africa comprises of many countries with distinct political, economic and social environments, therefore should be treated differently.

Lastly, it was also interesting to note that bodies of knowledge, particularly those based on developed countries, consider that countries are different. Their literature comprises of knowledge built from research that focus on specific countries, specific industry, and to a great extent, specific and robust FDI aspects. For example, some researchers, Goldberg and Saunders (1981); Nigh et al. (1986); Goldberg and Johnson (1990); Grosse and Goldberg (1991); Goldberg and Johnson (1994); Fisher and Molyneux (1996); Mutinelli and Piscitello (2001); Soussa (2003) follow on to examine the market size effect in terms of how it affects FDI targeting banking sectors in America, United Kingdom and Italy respectively. Such approaches are considerably useful because countries are different and cross-country results do not go further to explain the findings in terms of country per country specifications and needs.

A detailed account on why South Africa, the political investment climate and the banking sector are under scrutiny in this study is provided in Chapter 2.

1.5 Overview of the methodology and research process

Given the methodological limitations of previous studies highlighted above, this study moves along a qualitative methodology continuum and is positioned within the post-positivist tradition to allow the research to gain qualitative insights from participants, whilst retaining objectivity, in order to allow theories to emerge from data. Qualitative methods allow the research to explore the under-researched countries and under-explored factors seen as significant to determinants of FDI, because its flexible nature gives the liberty to choose and re-design methods of data collection and analysis as and when necessary, throughout the research process. It also allows the researcher to identify themes in data, make sensible conclusions out of it, develop and report new knowledge inductively. As a result, this study comprises of current and forward looking interpretations of the political investment climate, derived from the perceptions and experiences of current investors and the like.

Essentially, the study adopts a holistic approach to data collection and analysis which a) effectively explores each set of research questions, b) triangulates the research findings across information sources and methods used, and c) disseminates the knowledge through methods that will, in the opinion of the researcher, better develop the capacities of the research audience to achieve the research objectives that relate to them.

The empirical part of this project was undertaken in South Africa over a period of four months in 2012 and 2013 respectively. The analysis is based on in-depth interviews with 34 participants, who were purposefully sampled from the banking sector. A thematic data analysis procedure was employed to analyse and report the finding. The findings are discussed in context of the domain knowledge, namely the factors influencing the flows of FDI, benefits of FDI to host economies and the locational theories of FDI, which are the theoretical and empirical foundations providing the study with the perspectives upon which the study is based on.

A pilot study carried out to validate the methodological approaches for the study, and the whole methodology and research process adopted for the study, is explained fully in the Methodology Chapter (6). The chapter also outline details of the ethical considerations and the research audit trails vital for demonstrating the rigour and quality of the study. A visual Research Framework which encapsulates the entire research and is also used as the research pillars and the organising framework for other chapters of the thesis is outlined below.

1.5.1 The research framework

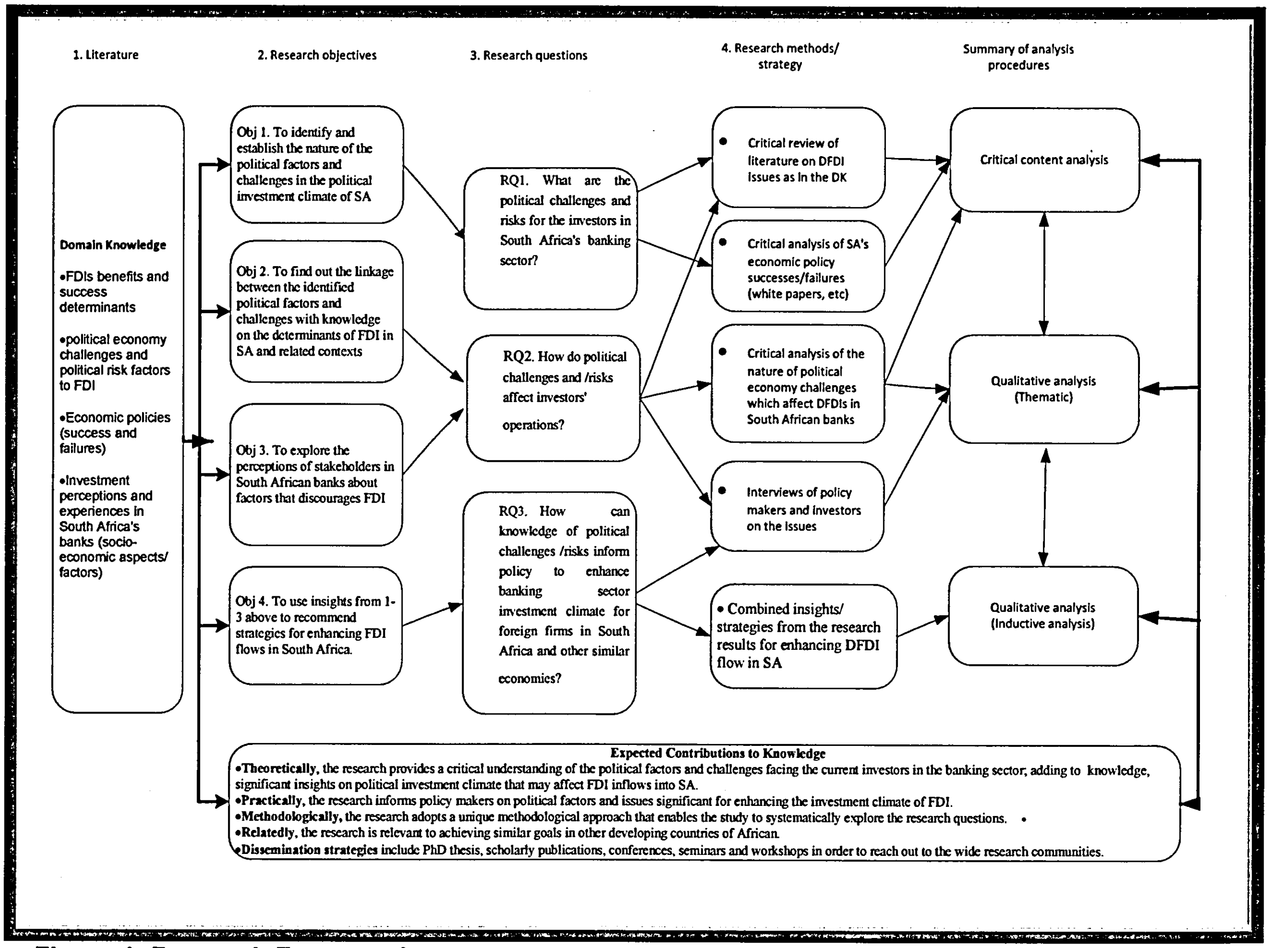

Figure 1: Research Framework

Author: 2014

The above methodological framework recalls, in columns 1-4, the key aspects of the research framework presented in chapter 1, and links them to the added column for data analysis procedures. The arrows shows how each aspect in the research objectives and research questions columns 2&3

are strategically addressed by the research methods in column 4, and how data gathered is analysed using analysis procedures shown in column 5.

1.6 Structure of the thesis

The study comprises of 9 chapters and is structured as outlined below:

Chapter 1 introduces the study, provides the theoretical background of the research, states its purpose and significance, highlights the gaps in knowledge, and outlines the contributions the study makes. The chapter also summarises the methodology and research process and offers visual representation of the overarching research framework.

Chapter 2 provides a detailed contextual background and justifications for the research in terms of focus and scope.

Chapter 3 discusses the early theoretical foundations of the study from the governments and foreign investors' perspective whilst Chapter 4 and 5 provides the contextual framework for the study in terms of the starting point, motivation and identification of the research problem. Specifically, Chapter 4 reviews literature on the benefits of FDI whilst Chapter 5 explores literature on the locational factors of FDI.

Chapter 6 is concerned with exposing the roadmap in terms of how the study was conducted, which in turn, are the audit trails of the present study. It examines literature explored in Chapter 4 and 5 to determine the overall research philosophy and the appropriate methodology for exploiting the research questions. The chapter also presents some significant research aspects surrounding the sampling process and strategies, the research design and strategy, the data collection tools, the quality and ethical concerns, and concludes by outlining the challenges encountered and how they were resolved. The chapter also outlines the data analysis procedures and techniques used to explore the in-depth interview data in order to answer the research questions.

Chapter 7 builds up on the data analysis procedures highlighted in Chapter 6 and talks about framing and contextualising the interview data. It outlines the analytical framework and the steps followed to analyse, interpret and discuss the research findings.

In Chapter 8, the research findings are presented, discussed critically in the light of current state of knowledge, highlighting the gaps identified in knowledge and demonstrating the novelty and the contributions made to the body of knowledge.

Finally, Chapter 9 restates the purpose of the study before proceeding to restate also the research findings by way of summaries. The study ends by explicitly demonstrating its contributions to knowledge, reflecting on the research limitations and journey, and suggestions for possible directions for future research.

1.7 Conclusion

This chapter has provided the research background information, and stated the research problem by highlighting the limitations and gaps in knowledge. The chapter also argued why it is significant to pay attention to the research problem and demonstrated this study's response to it. At the end, an overview of the methodology and research process is provided before snapshots of the up-coming chapters are outlined.

The following chapter provides a detailed picture of the research context.

2 CHAPTER TWO: THE RESEARCH CONTEXT

2.1 Introduction

Chapter 1 introduced the research study, highlighted the importance of the topic under study, and briefly announced the study contexts.

The purpose of this chapter is to paint a clearer picture for the reader to have a better vision of the situation on which the study was based. The major objective of the chapter is to provide contexts and background information to the research environments, and to rationalise the special attention on South Africa, the focal phenomenon, which happens to be the political investment climate, and the banking sector. In the process, the chapter also strengthens the rationale for the study. By and large, the questions that this chapter attempts to answer are as presented in the coming sections, but perhaps the first question that any one may be inclined to ask is: why study South Africa?

2.2 Why South Africa

In as far as the research context is concerned; literature revealed that there is over-dependence on cross-country and industry quantitative surveys. From decades ago to date, most literature on the determinants of FDI inflows to African locations are cross-country and cross industry based surveys (Morisset, 2000; Asiedu, 2002; Kinda, 2010; Anyanwu, 2011; Barthel et al., 2011; Hossain and Mitra, 2013; Barthel et al., 2014). In other words, most ignore the heterogeneity of investment climates in the various African countries. Following on what Asiedu (2002) said for example, particularly that the factors that affect or determine FDI in developing countries are not similar to those that affect countries in the SSA region, and to which she suggests that Africa should be treated differently when it comes to investment policies, the same can be suggested about the research and literature on the determinants of FDI. Thus, in concurrence with Asiedu's views on the heterogeneity of African countries, puzzles arise as to why researchers tend to treat Africa as if it is one huge entity. Why is there a dearth of literature on the factors of FDI focusing on individual African Countries, specific factors and industries, and what are the consequences of that to theory and practice?

According to Morse and Field (1995), when choosing a research setting, one can use the maximisation principle, which suggests that the study location should be determined by where the topic under study manifests itself most strongly. This means, even though the study is focusing on South Africa, it is important to think of the findings in terms of how they will be useful to other related settings, in this respect, how they will be useful to the general knowledge of investment attractions in other African countries. Thus, in order to contribute to the improvement of political investment climates in other

African countries, it is important to understand a phenomenon as critical as FDI attractions and retention, from contexts that are relevant or closely related to African economies. This would increase the believability of emerging theories and recommendations by the intended end users and implementers.

Historically, Africa's share of FDI is relatively poor compared to the rest of the world (Morisset, 2000; Asiedu, 2002; UNCTAD, 2009; Anyanwu, 2011). South Africa however, has so far been one leading example raising the African flag in terms of the FDI attractiveness and potentiality of the continent (UNCTAD, 2009). Therefore, because of South Africa's position, theories emerging from this study are likely to impact positively on policy makers in other African countries seeking to understand ways and strategies for attracting more FDI into their economies.

This study subscribes to theories on African political economy issues postulated by some writers such as Asiedu (2002) who believes that some research-based knowledge developed from European or Asian economies may not bring positive change in Africa because of the disparities in economic and political backgrounds, thereby suggesting that theory development for Africa should at least originate from Africa.

More precisely, the country was chosen because it provides a rich and appropriate context to explore the current topic, specifically, it is regarded as one of the best performing economies in Africa, and most essentially, a qualifying candidate for the purposes of this study by virtue of its inward FDI performance, which is usually higher than its African counterparts (Business Africa, 1997 p16-31; Carmody, 2011, 2012; UNCTAD, 2006, 2013; World Bank 2008). Moreover, in the whole of Africa, South Africa has been one of the top competitors if not the best. In the past decade, South Africa alone received more than 87% FDI compared to less than 13% received in the rest of sub-Sahara Africa, Kenya and Uganda included. This is quite a substantial amount of FDI inflow into a single country considering that Sub-Sahara Africa has a total of 46 countries. The current world rankings by Index of Economic Freedom (2011) ranked SA 1st, as the freest in financial freedom in Sub-Sahara Africa ahead of Namibia. Moreover, South Africa is the first African country to be accepted by the BRIC members due to its recent participation in the global business activities.

2.2.1 Geographical location and overview of the South African economy

The Republic of South Africa is located in the Sub-Sahara region of Africa and has been one of the largest in economies in Africa measured by GDP since 2009 (NEPAD, 2010; World Bank, 2013) but is now surpassed by Nigeria according to (World Bank, 2013; 2014). It shares political boundaries with

Zimbabwe, Botswana, Mozambique and Swaziland, and is believed to be contributing more than 24% of Africa's GDP (World Bank, 2010).

The country's economic status seems indiscernible given the descriptions ascribed to it by various international organisations such as OECD, World Bank and UNCTAD. For example, it is described as a middle income emerging market due to its rapid industrialisation, good infrastructural development and potential economic growth (World Bank, 2010; OECD, 2013). It appears this prestigious status was strengthened when the country became a member of the Brazil, Russia, India and China (BRICS) economic frontiers in 2010. South Africa became the only African country in the BRICS group of emerging markets. In 2013, South Africa successfully hosted the BRICS conference for the first time in the country. It is also described as a developing country because of its relatively low human development factors measure by the Human Development Index (HDI) according to the UNCTAD (2013).

Statistics South Africa (2013) and the World Bank (2012) show that the population is just over 51 million people. Potentially, this is a promising playing field for investors in terms of size and growth prospects if compared to neighbouring Zimbabwe's 13 million. Unlike most countries with only one capital, South Africa has four capitals, and Johannesburg is regarded as the financial capital of the country and is located in the Gauteng province. Pretoria is the administrative capital located in the Northern Gauteng province. Cape Town is the legislative capital situated in the Western Cape Province. It is the second largest populated city after Johannesburg. The third capital Bloemfontein is the judiciary capital, and is in the Free Estate province. The country is divided into 9 provinces, and Gauteng Province is the smallest in land size but is the wealthiest province. Its largest city is Johannesburg and is the most populated province accounting for more than 20% of the population of the 9 provinces. Most of South Africa's economic activities, about 40% are carried out in this province and contributes over 33% of the entire country's GDP and accounts to about to 10% of Africa GDP (SouthAfrica.infor, 2013). Statistics SouthAfrica.infor (2013) say that Johannesburg (in the Gauteng Province) is the financial centre, not only of South Africa but the whole of Africa, claims echoed by international organisations such as IMF (2012). According to the information published by Statistics South Africa (2012) the city is home to more than 70 foreign banks headquarters.

Below is a map of South Africa showing its provinces and major cities.

Map of South Africa

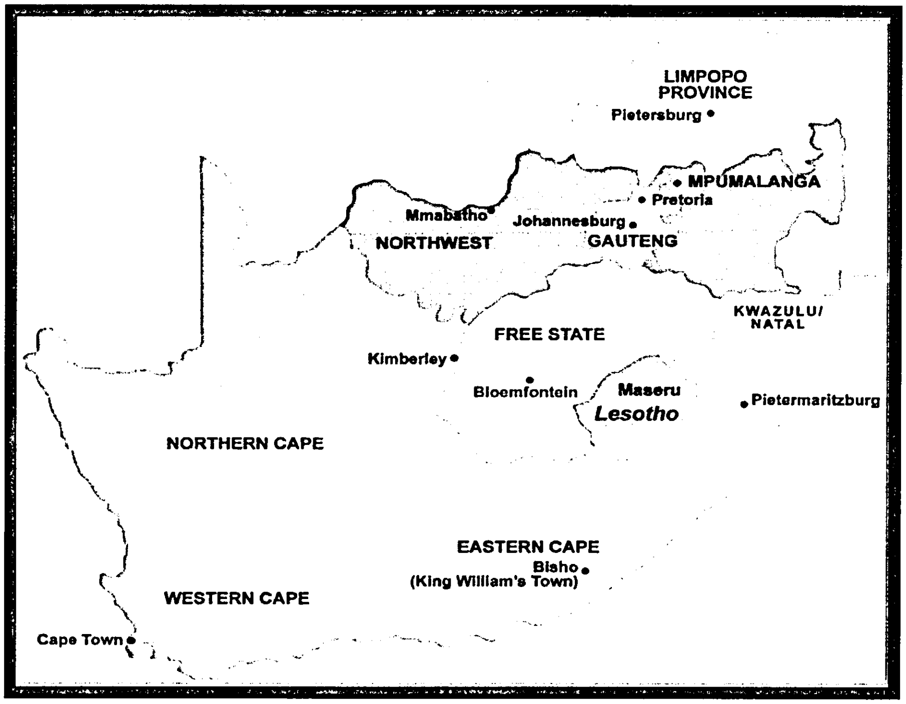

Figure 2: Map of South Africa
Source: South Africa.infor (2013)

South Africa is located on the skirts of the Indian Ocean, which gives it many strategic advantages. For instance, it is of significant importance to land-locked countries such as Zimbabwe, Lesotho, Zambia and Botswana, who may rely on it for international shipping and water transportation. Moreover, its economic sectors could also benefit from its geographical location in terms of attracting diverse foreign investors seeking for cost effective FDI. Thus, a geographical location like South Africa's could present appealing conditions to FDI in terms of transportation costs if compared to a land-locked country, particularly if the FDI is involved in exporting and importing. Overall, the locational advantage could mean improvement of other economic sectors as a result of FDI spill-over from cost-effective seeking FDI.

2.3 The banking sector

The role of banks in the FDI-economic growth link is apparently important in the processes of economic growth and development that FDI is associated with (OECD, 2013). It is reasonable to conclude that through the effective, efficient and disciplined banking system, the capital inflow from FDI is accumulated and then distributed systematically to other economic sectors to facilitate the sustaining of the various economic activities that would stimulate economic growth and development.

Broadly, the banking sector is an institution within the wider financial sector, and in its wider functions, the financial sector is of particular interest to investors because of its pivotal role in the functionalities of the economy as a whole. According to Levine (1997), a financial sector is made up groups of institutions that are all responsible for the allocation of resources to other sectors of the economy (OECD, 2013) a critical strategic role to every economy according to Sutton and Jenkins (2007).

As Krugman (2002) cited in Martinez and Santiso (2003) posited, confidence of businesses lies within the heart of sound financial transactions and it can be argued therefore that, investors are not attracted into a country whose financial markets are dysfunctional. In the case of South Africa, it is also reasonable to imagine that the image of a country's financial system impacts positively or negatively on investor confidence, despite which sector they want to invest in, because of the country's financial robustness (IMF, 2012; World Bank, 2012).

The characteristics that make up South Africa's financial sector appears enticing to investors. For instance, renowned international organisations such as IMF (2012) and World Bank (2012) described South Africa's financial system as having high ownership structures and comprising of mixed properties from government, central bank, public, national, private institutions as well as foreign financial institutions. Moreover, the fact that there is availability of reliable industrial information enables investors to make informed decisions for long-term strategic plans.

Furthermore, South Africa, according to and IMF (2008); OECD (2013) has world class and very mature financial industry in Africa. The government is praised vastly for the immense success achieved in improving the country's financial standing globally (Padayachee, 2005), an international acclaim that the International Monetary Fund (2008) echoed, describing South Africa's financial systems as sophisticated and complex, robust, well regulated and most efficient, if compared with fellow African countries. Recently, the World Economic Forum Competition Survey 2012/2013 rated the financial sector 3rd out of 144 countries for financial development (Banking Association of South Africa, 2013). Another characteristic worth mentioning is it robust stock markets, the biggest stock markets in the continent, the Johannesburg Stock Exchange (JSE) which was established in 1887, giving South Africa a global recognition that again, should serve as a FDI confidence booster. According to World Economic Forum (2011) Africa has a weak presence in global financial markets and this means it is left out of the global markets which ultimately hampers economic growth, but South Africa is well endowed in that respect. However, current findings seem to suggest that despite the fact that the financial sector is well developed in the numerous ways mentioned here, an array of the political challenges the study reveals in Chapter 8, appears to be critical aspects for investment operations.

In as far as its significance to the economy is concerned, the financial sector is said to be contributing significantly to the economic growth. Recent reports from Statistics South Africa (2013) shows that the financial sector is the largest industry at a size of 21.5% of the all the industries, followed by manufacturing industry which is about 15.2%.

Figure 3 below contains statistical information on the size and GDP contributions by individual economic sectors.

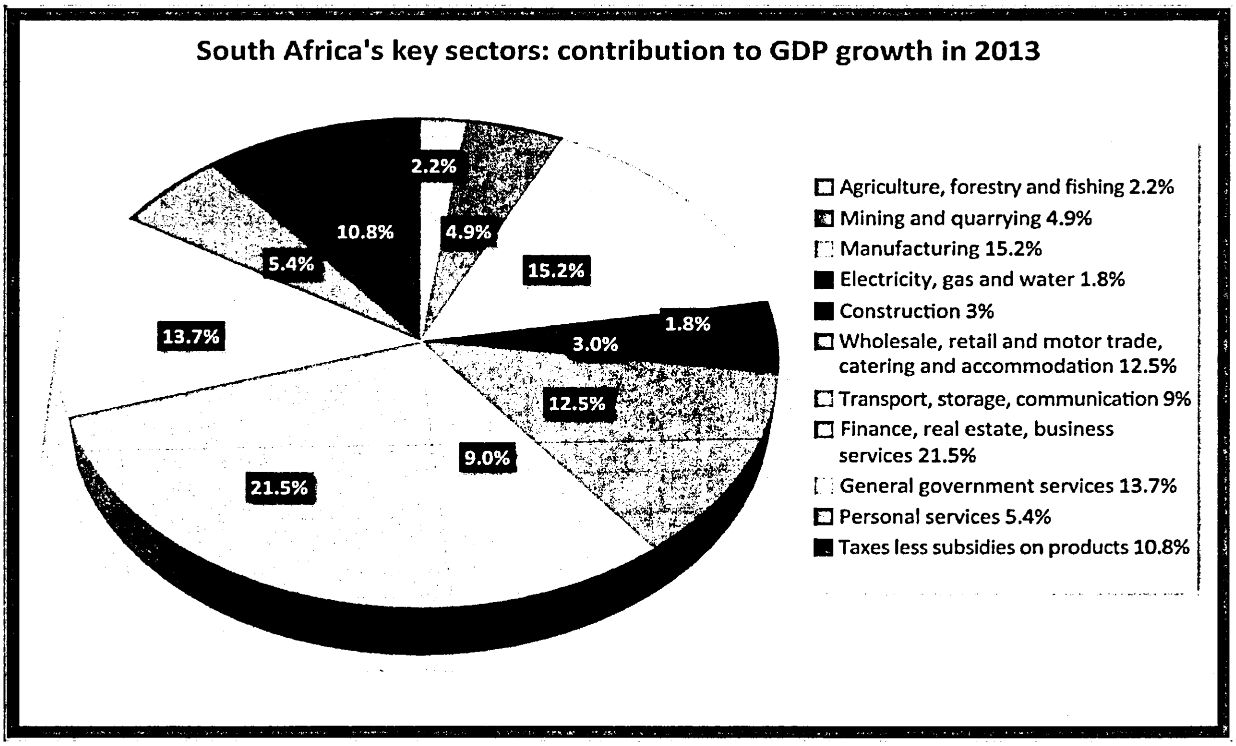

Figure 3: The size and GDP contributions by individual economic sectors
Source: Statistics South Africa (2013)

The financial sector comprises of many distinctive sectors including: (1) banking (2) long-term insurance (3) short-term insurance (4) re-insurance (5) management of retirement, pension and collective investment scheme assets (6) management of formal collective investment schemes (7) financial services intermediation and brokerage (8) management of investments on behalf of the public, including but not limited to, private equity, members of any exchange licensed to trade equities or financial instruments in South Africa and entities listed as part of the financial index of a licensed exchanged (9) underwriting management agents. According to Hawkins (2006) foreign companies started to flock into the country since 1994, competing to providing an array of services ranging from banking and financing, insurance, stock broking, investments, unit trusts, real estate management and the financial market management and services.

The banking sector was however chosen for this thesis because logically, it is central to the financial system and it has broad economic functions and role to investors. Most essentially, according to Sutton and Jenkins (2007) banking as a financial intermediary within the financial sector, is regarded as the traditional intermediation channel for the up keep and sound functions of the economy through its

numerous essential roles that promotes rapid growth, particularly by expanding economic benefits to and from FDI, sentiments of which were echoed by (Alfaro et al, 2006, 2010; Bollard, 2011).
More so, effective and efficient banking systems are the power behind the growth and development of international trade, and are, without doubt, behind world integration (Bollard, 2011). In the Economic Forum Competition Survey 2012/13, the banking sector was rated 2nd out of 144 countries for soundness (Banking Association of South Africa, 2013). As such, and from the viewpoint that a robust banking sector entices foreign investors into other economic sectors, and also from the understanding that FDI does not work in solitude to impact positively on economy (Alfaro et al., 2006, 2010) it makes sense to focus on it, although in essence, the findings can still be relevant for use in other sectors.

South Africa's banking regulations meet and closely relates with international banking practices and regulations (IMF, 2008) and seemingly, FDI is welcome in South Africa. In fact, FDI inflows seem to be shaping the banking sector of South Africa, as there are 6 foreign controlled banks, 15 registered branches of foreign banks, 30 representative offices of foreign banks (SARB, 2008). At this juncture, it is necessary to mention that all the banks, foreign owned/controlled and local banks were sampled for the purpose of the study.

2.3.1 Banking FDI in South Africa

It is necessary to mention at this point, that it has been difficult to find data on the FDI inflows to the banking sector in South Africa, as the area is under-researched, both in terms of FDI determinants and the insights on levels of inflows into the sector. In the light of the factors affecting FDI inflows, the limitations to knowledge seems to be due to methodological approaches that favour cross-industry analysis. For example, an online search in the literature on FDI into banking sector for reasons why FDI is attracted to South Africa, even when the country's FDI into the sector soared between 1994 and 1998 yielded almost no current research, hitherto this study. Instead, sector-focused research on the determinants of FDI is on the Tourism industry (Snyman and Saayman, 2009) for example, hence the decision to focus on the banking sector. In fact, it appears there is a dearth of research that explores bank FDI in Africa, and perhaps future research may be considered in that respect. Banking FDI determinants in the wider contexts, are discussed later in Chapter 5.

In as far as the level of bank FDI in South Africa is concerned, academic research is currently silent. Besides the research carried out by Soussa (2003) in which the author showcased findings from the Thompson Financial Analysis, which demonstrated African bank FDI as the least compared to Europe, Latin America and Asia, most publications on bank FDI that are on the internet are based on journalistic and independent financial or FDI analyses that are not, to a greater extent, peer assessed.

2.4 Why the focus on political factors

Whilst this study agrees with the existing knowledge on the exogenous factors conventionally accepted as the determinants of FDI, it argues that FDI is not solely determined by the macro and micro economic factors and as such draws on these implicit assumptions: firstly, that despite other locational advantages and market opportunities that host countries may possess, FDI decisions are determined greatly by the levels of and assumed political challenges and risks in host countries, and secondly, that political factors are more important and significant FDI factors in Africa, therefore should be investigated further, in order to deepen insights into the political factors affecting investors and their effects on FDI inflows in countries that have not been sufficiently researched in this regard.

Several other reasons buttress the decision to focus on political factors however. To begin with, most of these studies employ broad ranges of heterogeneous variables to study their impact on the FDI inflow patterns in Africa. Thus, they do not focus on any specific factor that influences the location of FDI. It was observed that most of the literature focusing on Africa looks at the perceptions on FDI determinants in general but, in some contexts such as Asia pacific, US and Europe, literature extends further to focus on specific FDI factors. Thus, research on Africa lacks special attention on FDI determinants in terms of which are the most robust and what it means to different countries. For instance, whilst literature based on the developed countries comprises of mixed arguments derived from both country and sector specific, for example those that examine the growth of FDI in the banking industries (Goldberg and Johnson, 1990; Fisher and Molyneux, 1996; Mutinelli and Piscitello, 2001), literature based on developing countries examine the determinants of FDI tend to examine the phenomenon as a variable in cross-country case studies and are rarely at sector level analysis (Lemi and Asefa, 2003; Yasin, 2005; Dupasquier and Osakwe, 2006).

Also, despite emerging as robust FDI factors in some empirical studies, specific determinants such as political factors, market size, natural resources, have not been given much attention as the focus of analysis in the African or the South African context. Such an oversight in research leaves room for many questions, particularly why the researchers still approach the FDI determinant question using similar theoretical and methodological approaches such as the cross-countries analysis for example, yet already, there are many existing studies that explore the question in a similar manner. It would add more value and diversity to knowledge if the variables that cross-country surveys include in their investigation can be singly-analysed as a specific factor of focus like what Quazi et al. (2014) did with the corruption variable in Africa, for example.

In the opinion of this researcher, which is based on the surveyed literature, although not consensual, literature provides overwhelming evidence from which to assert that political factors for example, are one of the most robust FDI determinants in the African locations studied (Solomon and Ruiz, 2012). Thus, from whatever viewpoint, political factors are emerging as important locational determinants of FDI inflows. A few inferences could be made to try and explain why it is possible that political factors are the most robust FDI determinants in African locations. For a start, the historical and political backgrounds that characterises most African countries can be thought of as pivotal in the economic policy formation and implementation, and in how the governments take part in the regulation of their economic environments. This is because, literature attests that most African countries have, in one way or another, carried out structural reforms in their institutions as per IMF recommendations (Morisset, 2002), but according to Asiedu (2002, 2006); Onyeiwu and Shrestha (2004); Anyanwu (2011) most of them still attract less levels of FDI inflows. Also, in Asiedu (2002) findings, expanded trade openness as per the IMF policy demands, is not found to be any beneficial to SSA in terms of increased FDI inflow. More still, some African countries, despite having abundant natural resources and their sizes, still struggle to attract FDI inflows, hence the reason why it is perplexing to continue seeing little or no improvement in the FDI inflows in Africa. In view of the failed IMF and World Bank policies and strategies to attract the anticipated levels of FDI, literature provides some leads to think that political factors goes deeper than just host country's policies in African locations, which undermines the efficacy of macroeconomic policies and strategies (Owusu-Antwi 2012).

However, despite emerging as one of the most robust FDI determinants, political factors are yet to be given the attention they deserve. Literature is providing little or no insight in as far as what the exact political factors linked to FDI attractions are, or what effects they have on the current and potential FDI operations. Ignored like that, raises questions over the relevance of current theory to individual countries. Although not many, there are some appropriate cases that could help outline the point this study is stressing out. A study by Gobinda and Haider (2014) is a fairly appropriate example of how robust FDI factors in Africa could be investigated. Although explored from a quantitative standpoint, Gour Gobinda Goswami Sami Haider (2014) examined the political risk impact on FDI inflow in Pakistan, the study stresses-out clearly, the politically related challenges on the inflow of FDI that are specific to Pakistan. In this report, there is the specificity of an FDI determinant that is being investigated in order to shed a clearer picture of the political investment climate in Pakistan. Other suitable examples include Kim (2014) and Vadlamannati (2012) who also paid special attention to the political instability and its impact on FDI inflows in the US.

2.4.1 The political-economy theory

Firstly, these two, Politics and Economics, are different subjects, but become necessary to study them together in order to understand how the actions of one impacts on the other as they are perceived in the political science school of thought. Politics, as defined by (Leftwich, 2004) is the study of power and authority and how people exercise their power and authority. Thus, in a nation, decisions are made by some people who have power and authority on behalf of others. Whilst on the other hand, economics is the study of best usage of scarce resources (Lindblom, 1977; Hall and Lieberman, 2012).

Major academic writings both in extant and current literature define the term political economy by providing analogous definitions and descriptions. For example, Gilpin (2001) one of the authors who provides very useful insights into the political economy literature defined political economy as the marriage between politics and economics of a nation. Very broad and insightful definitions of political economy from early economists includes theses from Adam Smith (1976) cited in Gilpin (2001) who said political economy is a branch of the science of a statesman or a legislator that provides a guide to the sensible, logical and focused national economic management. According to Leftwich (2004) political economy reflects a general set of concerns and assumptions about the nature of economic and political power, or a branch of science that aims at finding out the policies and laws that regulate the nature, production, consumption and distribution of wealth in a nation.

Modern economists such Phelps (1985) define political economy as the choice of the economic system and functions by any specific country. whilst Caporaso and Levine (1992) simply defined it as system that involves politics and economics or the interrelatedness of political and economic issues in a country as well as the management of the economic affairs headed by the political and economic players of individual states.

The various definitions capture the essence of this study focus, which is set to examine the level of the South Africa's government involvement in the economic affairs and how this impact on the FDI by looking at the actual political policies, ideologies, constraints or interest that may have direct influence on FDI in the financial sector, but Mitra and Panagariya (2004) definition is much more captivating, as their definition includes the theoretical and empirical aspects of politics that influences the economic policy formulation and implementation, which this study adopts, in trying to describe better, the role and influence of the political leadership of South Africa.

Clearly, the interaction of political and economic schools of thought or the integration of politics and economics to form the term political economy, tries to incorporate the management facet of the economy by the government of a particular nation. For instance, the state may determine which wants to be satisfied? How should they be satisfied? Should that be the responsibility of individuals or the government and so on (Hall and Lieberman, 2012)?

It should be mentioned however, that the relationship between politics and economics differs country by country and is influenced by the agendas of the political leadership, economic objectives and attitudes towards each and every economic phenomenon. These factors may be influenced by historic backgrounds or economic levels of developments in different countries.

2.4.2 Political economy of FDI in Africa

In this study, political investment climate framework entails the government and political leadership's influence and role in the management and control of economic activities, as suggested by early theorists such as Adam Smith (1976) cited in Gilpin (2001). The framework also encompasses government's economic, social, and political agenda and their links to economic policies and reforms, government institutions and infrastructures, political philosophies, attitudes, and actions that support or impinges on FDI operations, attractions or retention.

The decision to focus on the political investment climate arose from literature review on (1) the dilemmas of economic policy mix due to the diametrically opposing agendas and policies thereafter, (2) the determinants of FDI into Africa (Chapter 4 discusses determinates of FDI in detail), which unveiled compelling evidence that African politics are complicated, and are the most FDI deterrents, causing Africa to lag behind other regions on the world FDI inflow maps (Kandiero and Chitiga, 2006). More insights on studies pointing at political factors as the most FDI deterrent factors in Africa can be drawn from Lim (2001); Obwona (2001); Asiedu (2002); Ahmed et al, (2005); Fedderke and Romm (2006) and Van Wyk (2010) who all conclude that political issues are the major obstacle hindering FDI inflows in most African countries they studied. (3) From the investors perspectives, according to Lim (2001); Asiedu (2002); Onyeiwu and Shrestha (2004); Fedderke and Romm (2006); Tuomi (2011); Wocke and Sing (2013) political stability is supposedly a pre-requisite for the safety of foreign investors' funds. The current knowledge on the determinants of FDI in Africa suggests that political stability is deficient in most African countries, South Africa included (Morisset, 2000; Asiedu, 2002; Onyeiwu and Shrestha, 2004), hence the reason why this study is concerned about a political investment climate of a specific Africa country.

Furthermore, other reasons for looking at the research topic through the political lens can be discussed in the light of the inward FDI theoretical determinants. Literature presents a myriad of factors that are significant to potential investors before they choose any particular country, but studies on inward FDI determinants in Africa shows that other determinates such as the economic factors for instance, are often overshadowed by the political factors that characterises most African economies (Asiedu, 2002).

The above assumption seems plausible in respect of some African governments who adopted and implemented World Bank and IMF economic reform policies and economic management strategies that made their macro and microeconomic factors theoretically favourable (Morisset, 2000; Basu and Srinivasan, 2002; Asiedu, 2004) but political factors keep impinging on their efforts to successfully attract high levels of long-term FDI. An example of African countries that embarked on major macro and micro economic reform actions but reportedly suffer low FDI inflows include: Mali, Kenya, Cameroon, Nigeria and Mozambique Morisset, (2000). Accordingly, Morisset (2000) also provides ample evidence that underpins the claim that countries such as Lybia and Zimbabwe for example, implemented the Economic Structural Adjustment Programs (ESAP) to improve the macro and micro business environment, but political economy issues such as government involvement in the management of the economy are the stumbling blocks always standing in the ways of FDI inflows (Onyeiwu and Shrestha, 2004).

In addition, the understanding that political factors deter investment inflow into Africa can also be examined from the FDI motives theory hypothesised by Dunning (1993). Dunning (1993) suggests that investors' motive may be resources seeking: from that perspective, investors seeking resources should be motivated to invest in Africa because it is fairly endowed with abundant natural resources and under-utilised land (Asiedu, 2002). Countries such as Kenya and Cameroon with abundant natural resources come under this category theoretically, but in reality, they struggle to attract the anticipated levels of FDI because of political issues such as political challenges and risks characterising their investment climates (Morisset, 2000). Those seeking efficiency for example, should be largely enticed by the readily available cheap and educated labour forces (Asiedu, 2002; 2006) in countries like Zimbabwe, but again, political economy issues such as policies on FDI and indigenisation impede the country's FDI inflows. As for market seekers, it can be argued that most parts of Africa has large populations, presenting investors with potential markets in every economic sector, but still Africa's FDI levels are thought to be below expectations (Asiedu, 2002; Onyeiwu and Shrestha, 2004; Dupasquier and Osakwe, 2006).

By and large, some researchers such as Bigsten and Kayizzi-Mugerwa (2000) seem to blame the political leadership of Africa for micro and economic policy failures, strengthening the need to understanding a political investment climate of an African country, in line with the study objectives.

In a nutshell, despite all the fingers pointing at the political factors as major in determining FDI decisions in Africa, this researcher has not come across any study, hitherto this study, that focuses on specific and most influential factors of FDI in a continent trailing behind in terms of FDI inflows, which this study attempts to address.

2.4.3 South Africa's political economy of foreign investment

In the light of the overarching political and economic agendas that individual governments have, it is reasonable to think that different countries have different political ideologies on what would give them a cutting edge for realising and sustaining the goals in line with their political and economic agendas. It is through these different notions and ideas that lead to different economic policies, reforms, and approaches adopted by individual states, hence Asiedu's (2002) reason for suggesting that Africa should be treated differently when it comes to how economic policies formulated and implemented. It is also reasonable to posit that Africa politics dovetail closely into the economic spheres more than Western politics perhaps, because of their historical backgrounds.

For that reason, the economic and political ideologies underpinning South Africa's political economy and the management of its business environments are important to discuss here because they seem to lay the foundations on which the economic policies are formed (Mandela, 1993; Van Wyk. 2010; SAFPI, 2013).

Fore-mostly, the historical background of political economy shapes the modern South African political economy. The government and leadership decisions and actions should, at all times, consider the failures and successes, if any, of the previous apartheid government. This therefore means that the political and economic agendas should always encompass the need to address failures in particular, for the country to realise both political and economic success (Mandela, 1993; Hirsch, 2005; SAFPI, 2013).

Firstly, there is the existence of two economies, one that is described as developed and likened to the first world economies, and the other one described as underdeveloped (IMF, 2009) which makes it difficult to identify the economic system the government is pursuing, leading some writers to describe it as a dual economy (Nattrass and Seekings, 2001; Herbst, 2012) and others such as Hirsch (2005) and Padayachee (2005) insisting that it is difficult to categorise the economic system of South Africa.

Hirsch (2005) for example, questions whether the government dismantled the apartheid economy system or they remained intact to facilitate the government agenda for relatively peaceful transition to a democratic government. According to Hirsch (2005) the political and economic stance taken and maintained by African National Congress (ANC) is remarkable and it helped to boost investor confidence over the years but it has its failures in terms of equating the income disparities. The approach however, he believes, gained South Africa the respectable image and international acclaim it holds today, but it appears to be failing to close the economic gap forming two different economies (Rotberg, 2014).

Secondly, from 1994, the political leadership has been trying to ensure that economic policies will not deter foreign investors from investing in South Africa, which is clear, considering the government's holistic approach to managing the ills of apartheid, which made sure that the economic policies consider protection of privately owned firms (Hirsch, 2005) for the purpose of investment attractions.

However, lastly, trying to make the dual economies co-exist, has been a major challenge to the government's other agendas, particularly that of socio-economic development and economic growth. Hirsch (2005) also questions the possibility and feasibility of democracy and capitalism functioning together under one roof (country) given the fact that democracy strives for economic equality and capitalism is the actual cause of inequality.

In brief therefore, the political and economic background of South Africa poses a very complex situation in as far as policy mix is concerned, if compared to countries that have not suffered decades of political and economic divisions. It can be reasoned that the political ideologies and philosophies of the South African government in relation to the functionality of the economy are by far, influenced by its political and economic historical background, which can be seen through its perspectives on FDI deliberated next.

2.4.4 The South African perspective on FDI and its current performance

Attracting FDI and facilitating the growth of FDI is one of the cornerstone agendas of ANC since 1994. In the beginning of the new South Africa, statistical records from South Africa Reserve Bank showed that South Africa's FDI inflows was very little period between 1985 – 1993 but the figures started to rise from 1994 when apartheid was abolished. For instance, end of 1990, FDI inflows amounted to 46 million per year until 1993, but rose to about 1.861 billion per year to 2002 (UNCTAD) cited in Gelb and Black (2004). The meagre share of FDI inflows, according to Clark and Borgran (1998) and Gelb and Black (2004) was due to the political isolation of the apartheid regime after the world called for disinvestments, boycotts and trade sanctions against South Africa.

In 1993, Nelson Mandela postulated FDI to be the key to South Africa's economic growth vision (Clark and Bogran, 1998; SAFPI, 2013). To demonstrate its commitment to achieving the investment attraction agenda, the government adopted investor friendly transition processes and approaches since the end of apartheid and theoretically, since 1994, South Africa's successive governments seem to have remained steadfast on its FDI luring aspirations (Wocke and Sing, 2013). The government's efforts seemed rewarded in the years beginning 1999 to early 2012 when FDI inflows improved, with South Africa's FDI levels beating most of the Africa countries during that period (OECD, 2013).

However, there is doubt whether foreign investments coming into South Africa are commitment and seeking long term relationships or not. Some researchers claim that South Africa's FDI are mostly short-term and not committed (Fedderke and Simkins, 2012), which seem to suggest that foreign investors are not fully embracing South Africa as a long term FDI destination. More so, FDI tracking shows that South Africa's share of FDI is diminishing. For instance, in years 2012 to 2014, South Africa's FDI inflows slowed down despite the country's assumed potential (UNCTAD, 2014). Compared to countries that present similar locational advantages to foreign investors like South Africa such as countries in the BRICS group of emerging markets, South Africa is the least in terms of FDI inflows (UNCTAD, 2014). Besides, reports from international organisations such as OECD (2010) and UNCTAD (2012) also claim that the country has never reached the FDI inflow targeted given its potential. Research is also showing that recent South Africa might be losing current FDI as it is reportedly lost 4% GDP period between 2003 and 2013 due to excessive capital flight.

But in essence, it can be seen that the government's FDI visions are very much alive, judging from its liberal approaches to industrial regulations clearly marked by the abolishment of the protectionist policies in order to integrate into the global economy, and embracing global competition as an opportunity rather than a threat (Van Wyk and Custy 2004; Wocke and Sing, 2013).

Also, its views on FDI continue to be spelt out clearly even in the most recent policy frameworks. For instance, the Industrial Policy Action Plans that are oriented towards FDI promotion hoping it will be the engine to facilitate economic growth. The issue, in the experience of the South African investors in the banking sector, seems to be the disharmonies between the policies for FDI attraction and other agendas, which this study attempts to, put to light by investigating the political challenges obstructing the operations of investors in the banking industry.

Some insights into South Africa's FDI performances are outlined and discussed in the Literature Review Chapter (3).

2.4.5 The country's economic strategies and reforms since 1994

The country's economic reforms and regulatory policies are, to a large extent, underpinned by the above identified political and economic agendas.

Notably, the Reconstruction and Development Program (RDP) which was implemented in 1994 has the aims to facilitate socio-economic development through economic policies targeting poverty, human capital development and unemployment for instance, and the Growth Employment and Redistribution (GEAR) policy that was adopted in 1996 with the aims to grow the economy, broaden employment and income redistribution, are the major economic policy frameworks since 1994. The same agendas are reemphasised in the recently implemented, the New Growth Path (NGP) which was launched in 2010, and stresses more on socio-economic development and equality as well as other agendas, particularly the enhancement of FDI inflows, hoping it would facilitate economic growth and development. These policy frameworks, from which most of the economic policies and reforms hinges on, clearly shows that the new government was and is still committed to the 3 economic agendas discussed above.

Sadly, after all things considered, namely, the need to address socio-economic gap, the desire to attract and retain investors, and the drive to grow the economy, it appears as if the government's agendas antagonise each other, making it difficult or prolonging the achievement of any of them. This view rests on the assumption that, for FDI to be attracted and for it to thrive, certain appropriate regulatory conditions have to exist, but to maintain appropriate regulatory conditions investors demand for is unrealisable in the face of adversities of apartheid ills.

Generally speaking, the ANC's economic policies seem to be undermined by the need to correct the ills of apartheid as the government finds itself at the dilemma of trying to harmonise the two economies described earlier. Thus, although the government is determined to maintain its economic policies, socio-economic imbalances makes it impossible to continue ensuring that the investment climate is friendly to investors, particularly foreign investors, considering that some writers such as Heintz (2003) are branding the Growth, Employment and Redistribution (GEAR) policy 'Out of GEAR' and many other researchers to argue that policy handles are affecting FDI and growth (Fedderke and Romm, 2005; Wocke and Sing, 2013)

On logical grounds, it can be visualised that in the long run, which theoretically is already manifesting, given that there are 20 years after apartheid, failure of the economic reforms to change the socio-economic circumstances that they are intended to change, may trigger Social Democrats and Trade Unionists to push harder for a shift away from the current market-friendly economic stance.

These are just but a few of some of the factors impinging on the attractiveness of FDI, that existing literature has highlighted (Tuomi, 2011; Fedderke and Simkins, 2012). Further discussion on the economic policy failures and success is provided in Chapter 4.

2.5 Conclusion

This chapter discussed and justified the research environments and contexts, namely, the choice of South Africa, the political economy environment in terms of the major economic policies and agendas, general background information of the financial sector as a whole, and an overview of the banking sector.

In the light of the literature reviewed for the purpose of this research (Chapter 4 and 5) it was concluded that firstly, the over-dependence of existing research on cross-country and industry surveys, ignoring the fact that Africa is not one huge country, signalled a limitation in knowledge in the light of insights relevant to individual African countries. This observation compelled the research to focus on South Africa and the banking sector. Then the observation that most of the existing studies employ broad ranges of heterogeneous variables to study their impact on the FDI inflow patterns in Africa, disregarding the need to focus on specific factors, by identifying those that appear to be most robust, and explore them in order to understand better, what they mean in different countries, directed the choice of the focal phenomenon for this study.

3 CHAPTER THREE: THEORETICAL UNDERPINNING OF FDI

3.1 Introduction

The purpose of this chapter is multi-fold. First, it serves to spell out the sources of motivation for FDI from a theoretical standpoint, thereby providing a strong foundation from which to understand the research area. Thus, the early theoretical foundations of the FDI phenomena are exposed and explained from both the governments and investors' perspective. The theories are further linked to the motivation of research in FDI. The chapter also goes further to highlight the recent global FDI trends but begins however, by illuminating the concept of FDI in general.

3.2 Defining Foreign Direct Investment

Numerous writers, for example, Winder (2006); Wei (2005) have defined foreign direct investment (FDI) from their own understanding but in almost similar terms as depicted in the following definitions: The United Nations Commission for Trade and Development (UNCTAD, 2002) and Organisation for Economically Developed Countries (OECD, 2008) similarly define FDI as an investment that involves long-term relationship that reflects long lasting interest and control of a resident's business in one economy in an enterprise resident in a different economy of the direct investor. Thus, according to the UNCTAD (2013) the foreign investor should inject a net inflow of investments of 10% or more to acquire long-lasting management interest in a firm operating in a specific economy other than that of the investor. Razin and Sadka (2012) who defines FDI as "an investment involving long-term relationship and reflecting long-lasting interest and control of foreign resident entity in the source country" (Razin and Sadka, 2012: p1) echoes the above definition. The above definitions are all similar to the one provided by the UNCTAD (2006) who proposed that FDI is an investment involving a long-term relationship and reflecting a lasting interest in and control by a resident entity in one economy, known here as foreign direct investor or affiliate. Of significance to note on these definitions are the terms long-term and long-lasting relationship, which presumably, is the link that connects the FDI and economic growth theory posited by the classical economists, who suggest that the perspectives underpinning the FDI-led growth are drawn from the assumption that economic growth requires long term capital investments that are sustainable (Adams, 2009), which theoretically, FDIs are believed to provide and guarantee for a long time.

3.3 Theoretical underpinnings of FDI

Many writers have paid great attention to the FDI phenomenon over the years since just before and after Stephen Hymer's doctoral thesis contribution to FDI literature (1976) and other early contributors such as Vernon (1966) and Dunning (1979). It would have been difficult to undertake an FDI study, particularly for a PhD thesis, without a better understanding from theoretical grounds, the underlying motivations of FDI and why it takes place. To date, numerous theoretical models from which to analyse and explain why FDI takes place in the first place, are available.

In actual fact, literature now comprises of numerous works that attempt to explain the motives and factors influencing the flow of FDI, both from the firms' and countries' perspectives. Faeth (2009) in particular, did fair justice to that body of knowledge when she deliberated in detail, on the various theories that are available to date. In this author's perspective, the reason why there are numerous theoretical frameworks in respect of FDI is two-fold. For a start, there are company-specific factors of FDI, which are also regarded as the micro-dimensions (Faeth, 2009), which explains the FDI factors that are endogenous to firms. Then there are the country-specific determinants, regarded as the macro-dimensions (Faeth, 2009), which explains the FDI determinants that are exogenous to the firm (Dunning and Lundan, 2008). This therefore means that, theorists have to cater for different groups of stakeholders in their models to understand the determinants of FDI. As will be exposed later-on, there are some exceptional models, for example, the Eclectic paradigm (Dunning, 1979 cited in Faeth, 2009) that seem to embrace both the country and firm-specific factors.

To start with, on one strand of thought, we have the firm-specific perspective, where theories are concerned with the factors that are intrinsic to the firm, which entails the factors that drives the company to invest in foreign markets, and the competitive advantages the company possesses to be able to compete in foreign countries matters too. To explain the multinational company movements and production, Heckscher and Ohlin (1933) developed a model which was based on the early neo-classical theories of international trade and investments. The Heckscher-Ohlin Model assumes that, higher returns on investments should a firm invests abroad, determines the decision of firms to invest in foreign countries. This line of thought was however challenged for failure to explicate the nature and patterns of foreign investments. Thus, later on, Caves (1971) product differentiation theory emerged, which proposes that imperfect competition is a determinant of FDI, and that FDI favours locations whose markets are not controlled by rigid rules such as those of the perfect competition. Caves (1971) theory was followed-on by Knickerbocker (1973) oligopoly theory, which suggests that firms can be oligopolistic in their behaviour and can behave in a way that deters competitors from entering the

market in order to protect their oligopolistic position. In Knickerbocker (1973) perception, firms may respond to competition from their domestic markets by seeking foreign opportunities elsewhere. In other words, Knickerbocker predicted that FDI decisions by firms are necessitated by competition in the domestic market. Similar to the Knickerbocker's theory is Aharoni (1966) behaviour theory cited in Faeth (2009) which posits that FDI results when firms' fear of losing their competitive edge, owing to increased rivalry and competition in home countries. However, it is not clear in these two theories if such a strategy will befit every firm considering that firms have different strengths and weaknesses.
Vernon (1966) argues that a firm's innovativeness can help it to forge a market leader position despite some perfect market conditions such as similar technology or access to resources. Vernon (1966) proposed a product life cycle or production cycle theory, which he used to explain the types of US FDI into Western Europe. The model suggests that innovative firms produce products in their home countries, and when competition from new entries or imitations stiffens in the home market, or if production in external markets is cost effective, the company may choose to produce externally and import to home country. Vernon (1966) believes that firms are multi-product and thus multi-production processes. Thus, the production function characteristics of a firm determine the decision to locate plants in low-cost locations to enable the firm to produce large-scale output in low-cost plants. In short, the theory suggests firms may decide to locate its various production plants in countries that facilitate efficient production for profitability purposes. Hymer (1976) argues that a firm's specific advantages such as technological knowhow, intellectual properties, and superior managerial and organisational skills are fundaments in foreign markets because they give it the competitive advantage over rivals. Kindleberger (1969) cited in Faeth (2009) and Hymer (1976) share similar hypotheses on their market imperfection theory. Just like Hymer (1976) Kindleberger proposed four imperfect market conditions that can give leverage to a foreign company's competitive advantage, namely; advantage of superior product through product differentiation, specialised skills and knowledge, access to factors of production, for example, access to financial resources. The theorists believe that global markets are imperfect and these advantages give foreign firms a comparative edge in a specific market. These theorists argue that, the larger the firm, the better their competitive advantage. The Buckley and Casson (1979) internationalisation theory, cited in Gomes-Casseres (1989) proposes that FDI is determined by home market failures and inefficiencies, which mean the firms, will no longer be achieving profitability because the market is not bringing about any economic efficiency.

On the country-specific side, theories are concerned about the location or market factors that would encourage or discourage FDI in a particular location (Faeth, 2009). Dunning's (1979, 1993) eclectic theory, popularly referred to as the Ownership, Location and Internalisation (OLI framework) propose that multinational companies invest in foreign countries to look for Ownership (O), Location (L) and Internalisation (I) advantages. The OLI framework is the commonest, wider in perspective relative to the other theories, and it provides a comprehensive analytical framework for both country and firm-intrinsic factors. It embraces both the country and firm specifics, with Ownership and Internalisation dimensions postulating the firm-specifics or advantages and the Location dimension positing the country-specifics. The Ownership and Internalisation factors intrinsic to the firm includes the company assets, tangible or intangible assets such as the firms superior competitive advantages over competitors regardless of its foreign status, namely; experience, expertise, intellectual properties, property rights, as well as the inherent capacity to manage, produce and market products or services efficiently throughout its subsidiaries. The location dimension becomes necessary when a firm can benefit from locating some of its activities in different countries, especially when it can help reduce production costs, for example transportation, labour cost and others.

Locational advantages arise from different countries' comparative and natural advantages such as plentiful natural resources or the favourability of the countries' FDI investment environments. According to Dunning (1993) a company is at more of an advantage when these dimensions are experienced simultaneously. However, the location dimension is determined by the foreign market environment factors such as the stability of the economy, political stability, policy stability and certainty, which are beyond foreign investors' control.

Other theories that embrace both ends of the phenomenon are: 1) The new theory of trade popularised by Dixit and Grossman (1982), Markusen and Venables (1998), Krugman (1992) who assert that market size and barriers to entry amongst other factors determines the location of FDI and 2) The institutional approach (Root and Ahmed, 1978) which explains how the host country's political variables such as FDI incentives, barriers such as tariffs and tax, are significant locational determinants. From the institutional theory perspective, foreign firms are subject to operate in complex external environments where political changes or policy uncertainty can be inevitable, and the foreign firms' actions are controlled and dependent on the forces of the institutions that oversees their operations (Loree and Guisinger, 1995).

To date however, there is no single analytical framework that is generally agreed upon for researchers in the FDI field to employ in order to analyse the factors influential to FDI inflows. This therefore suggests that researchers adopt frameworks as per the demand of their research. In as far as the theoretical approaches used in the various studies available, especially those in the context of African, it is difficult to classify research works according to any theoretical framework because literature is fragmented across different analytical frameworks and paradigms. A similar study to the current study is the one conducted by the UNCTAD (1998) cited in Faeth (2009). Drawing from the institutional approach, the UNCTAD (1998) analysed the factors of FDI and classified the host country-specific factors into three categories namely, politico, business facilitation and economic factors. Otherwise, researchers just juxtapose different theories and models as and when appropriate in order to better analyse and explain the concerns of FDI in their cross country investigations. On the positive side, however, all the theories have one common goal, to help analyse and explain the factors influencing the flow and patterns of FDI around the world.

This study seeks to understand better, the political challenges and risks as experienced in the banking sector of South, leans closely to the country-specific or locational FDI concerns. Although the study is not adopting a prescribed analytical framework to analyse research data, it utilises the knowledge set forth in the existing FDI theories and frameworks in order to sufficiently explore the political investment climate, explain and interpret what the subjects expressed explicitly in the context of previous works, and to then draw the research conclusions in consistency with the philosophical position of the study, which is explicated in Chapter 5. By so doing, the study locates itself within the locational factors of FDI literature.

3.4 The motives of/for FDI

As mentioned earlier, the motives of and for FDI can be classified according to the two distinct analytical frameworks of FDI, whereby, on one side there are theories concerned with the issues endogenous to the firm and on the other side, those exogenous to the firm. It is logical to think that motives to attract, in the case of the host countries, or invest in foreign countries, are fuelled by the realisation that there are benefits that one can get from such endeavours. It is also reasonable to think that both host nations and foreign investors are bound to benefit from FDI. For instance, foreign investors may gain access to new markets if they are market seeking and governments benefit from a host of spill-overs associated with market-seeking FDI (Dunning, 1993).

Since motives are the drivers of the FDI process, Marinova et al (2004) warns that it is important to note that the motives of these two parties should generally be in harmony with each other for the process to take place, and for both to realise their goals. Failure to disclose one's motives would probably result in FDI not taking place, less FDI than anticipated, attracting the wrong type of FDI that does not benefit the economy, or companies failing to realise the economic value from their capital (Marinova et al, 2004).

3.4.1 The significance of FDI

There are many reasons why governments might be interested in attracting FDI. FDI is associated with economic growth and development (Li and Liu, 2005; Wang, 2009). According to Marinova et. al., (2004) FDI facilitates economic growth and development, enhances privatisation programmes, facilitates access to technological knowhow and innovations, increases employment creation, helps tap into managerial skills and expertise, improves government capital reserves. Clearly these enticing positive effects of FDI are some of the motivating factors for attracting FDI in many countries (Caves, 1996 cited in Dunning, 1998; Brooks et al., 2010). Otherwise, there will be no reason why governments seek to attract investors or all the research and development works on improving FDI attractions. With regards to the host government, the motives for seeking to attract FDI are widely discussed in the benefits of FDI to host countries literature domain, dealt with in the up-coming Chapter (3).

In relation to Africa, FDI has been credited for most of Africa's growth (Gelb, 2005; Sichei and Kinyondo, 2012), although of course, some argue that not all countries have been benefiting from FDI (Onyeiwu and Shrestha, 2004). Gelb (2005) for example, claim that FDI is the force behind the domestic business activities across African countries and has also facilitated the start of new entrepreneurs. Others, Lumbila (2005) agree that FDI is helping with growth and development in some parts of Africa, evidenced in Nigeria where Ayanwale (2007) found positive relationship between FDI and economic growth. When Adams (2009) did a paper review on the benefits of FDI to Africa, he concluded that African countries have enjoyed some levels of growth and development as a result of the FDI inflows. However, in view of the available evidence, particularly the government efforts to attract FDI (New partnership for African development, 2012), it can be concluded that, despite the discordant views regarding FDI-led growth, most governments in Africa, are buying into the FDI-led growth and development assumption, evidence can also be drawn from their willingness to change policies, actions and approaches to FDI attraction (Morisset, 2000; UNCTAD, 2003). In fact, most African governments have at one point adopted policies that they believe would help them to attract FDI (Morisset, 2000; Asiedu, 2002; UNCTAD, 2003).

As for South Africa, FDI attraction and retention seems to be one of the major political and economic agenda on policy documents since 1994 (Mandela, 1993; SAFPI, 2013). Elsewhere, although the economies of Korea and Japan for example, seem to be growing rapidly without relying on FDI, a large body of literature contends that some of the fastest growing economies have been able to forge economic growth because of FDI deployment. It is also believed that countries including Britain, China, Botswana, Chile, Japan, and Thailand for instance, have improved their per capita income in the shortest period because of their global participation that enables them to absorb and imitate world class innovations and technological know-how, with FDI as the most effective channel for the transfers (Johansson and Nilsson, 1997 cited in Klein, 2003).

3.4.2 Firms' FDI motives

From the foreign investors' perspective, understanding motives of FDI would help appreciate the reasons why FDI goes where it does (Kinoshita and Campos, 2003). Hymer (1960) convincingly argues that profit making is the main FDI motive, an argument that was echoed by Caves (1971) who predicted that firms will invest in foreign countries for the sake of generating rents.

There are numerous theoretical grounds from which to understand the behaviour of foreign investors, but Dunning (1993) propose a comprehensive theoretical framework that is widely used in explaining the strategic logic behind FDI. He puts FDI motives into four categories, namely; resource seeking, market seeking, efficiency seeking and strategic asset motive, in order to help explain the motives of FDI from the firm's perspective.

In respect of resource-seeking FDI, factor-costs considerations are the prime drivers for resource-seeking foreign investments. Dunning suggest that resource-seeking FDI are driven by factors such as the need to acquire physical or intangible resources at lower real cost than they would be in their home countries. Dunning explains that resource-seeker can be those investors seeking physical resources such as raw materials, those seeking cheap unskilled or skilled labour, as well as those seeking intangible resources such as technological knowhow and innovations, managerial and organisation skills.

It is believed that FDI in the resource sectors such as oil, gas and timber for instance, goes to countries that are well-endowed with those sorts of resources. Some countries in Africa have abundant natural resources such as oil, minerals and forestry and most are in the developing countries category and FDI coming to Africa are often associated with wanting to exploit African natural resources (Asiedu, 2002; Campos and Kinoshita, 2003).

South Africa's share of FDI has been largely attributed to its abundant mineral resources that foreign investors want to exploit. For example, researchers such as Gelb (2005) argue that, because of its resources, South Africa's trade access rather than liberalisation of the economy is significant for enabling or encouraging FDI inflows. However, this point of view is contested by those who believe that resource seeking FDI can, at the same time, be determined by individual countries' investment climate factors such as political stability, market size, openness to trade, availability of physical infrastructures, and unskilled and semi-skilled labour, amongst many others, because even those countries with abundant natural resources, may not be favoured by foreign investors (Asiedu, 2002; Onyeiwu and Shrestha, 2004; Tuomi, 2011).

Logically, what literature suggests is that, having abundant resources is not a guarantee that FDI will come into Africa. Asiedu (2002) and Mohamed and Sidiropolous (2012) believe that even small countries with fewer resources can still attract FDI if their investment climate is favourable to FDI. Of course, to Africa, resource seeking FDI is important and is sought after, but because the resources are abundant. However, this is when it becomes a surprise why most countries are not receiving the resource seeking FDI despite their resources (Morisset, 2000; Onyeiwu and Shrestha, 2004). It seems apparent that such enigmas are the reasons why literature on the issues that influence the flows of FDI into African locations continues to be burgeoning and have, to a greater extend, motivated this study.

Regarding the market-seeking FDI, Dunning predicts that market-seekers would attempt to secure their market share and sales in a foreign country. For that reason, population size, the levels of employment, purchasing power, economic growth prospects, are fundamental indicators that investors monitor to predict the market size and their potential economic benefit. There are divergent opinions with regards to resource-seeking and market seeking FDI, and the locational effect. Some argue that developing countries are targeted by resource and market seeking FDI and on the other hand, developed countries motivates efficiency and strategic asset seeking FDI (see Campos and Kinoshita, 2003; Bevan, Estrin and Meyer, 2004; Buckely et al, 2007; Marian et al, 2007; Li and Liu and Wang 2011).

In terms of efficiency-seeking FDI, Dunning claims that FDI seeking to improve efficiency in their investors attempt to geographically disperse their production activities in a way that ensures economies of scale resulting from efficient production and distribution. They try to achieve this by strategically locating production plants for example, in countries with locational advantages befitting their line of business. For example, efficiency-seekers may seek for factor endowment advantage, economic and political systems, financial resources, quality infrastructures, economic growth and stability.

As for the strategic asset-seeking FDI, Dunning believes that FDI can be motivated by the desire to acquire assets in host countries in order to achieve long-term strategic objectives, particularly the international competitiveness objectives. Asset-seekers have the aim to grow bigger so that they have the muscle and capacity to fight-off competition or deter small or newcomers from entering the market.

To round off the discussion on the motives of FDI, it can be concluded that Dunning's theory on the motives of FDI seem to confirm Hymer's suppositions that FDI is, to a larger extent, profit led, as the motives postulated by Dunning are clearly linked to the profit orientation of the business entities. Essentially, there are no eminent differences in the motives identified in literature and scholars fairly agree that FDI motives are not fixed and they depend on the firm's size and experience, as well as the country's development stage (Dunning, 1993). The only limitation to Dunning's theory is that it does not indicate the likelihood that firms may pursue pluralistic goals and that their FDI motives may be characterised by several theoretical underpinnings. For example, that resource-seeking FDI may or may not be responsive to other FDI locational concerns.

The inherent linkage between Dunning's FDI factors and motives FDI theories is that, firms will need to understand that, although they may need to seek resources, efficiency or market in foreign countries, they should consider their own ability to thrive in a foreign country by assessing the factors intrinsic to them, and those factors intrinsic to the foreign country. Literature on Africa FDI seems to suggest that, investors, be they resource seeking or market seeking, locational concerns exogenous to economic factors such as the focal phenomenon of the study (political factors), deters FDI, even if the country has abundant natural resources (Asiedu, 2002). Such hindrances and obstacles to FDI, makes it significant to analyse and interpret, the political investment climate in the South African banking sector, in order to understand better, the challenges and effects to the country's FDI inflows.

3.5 Global FDI flows

Together, the various FDI motives, those of the host governments and of the firms, lead to the diverse FDI patterns and levels that flow to the various global locations. Although the pattern of global FDI inflows has been fluctuating because of the global economic challenges over the past few years, FDI inflows around the world is increasing. According to the statistical evidence provided by the UNCTAD (2013) FDI to various global locations grew from U$519 billion in the years 1991 - 2000 to approximately U$1226 billion in the years 2001 - 2012. The fluctuations in the flow of FDI inflows experienced in the years 2008 - 2009 and again in 2011, are believed to have nothing to do with the death of interest in FDI by multinational companies but the global financial crises during those years.

On an average, FDI inflows to developing countries accounts for about 31-31% of the global share. UNCTAD (2013) shows that, in the year 2012, of the FDI inflows to the countries within the developing countries' bracket, a colossal amount of inflows were directed into the Asia pacific region, which received close to U$420 billion. In this region China emerged as the largest recipient and is also the global FDI inflow champion. This is followed by the Latin American region, which received more than U$210 million, and the Africa, which lags at less than U$70 million in 2012. Over the years, Africa's FDI has remained marginal compared to the rest of the world (NEPAD, 2010) and although recent reports (UNCTAD, 2014) claim that Africa's share has improved during the 2012 - 2013 period, particularly in the Southern Africa region, the quantities are still considerably low in most African locations. Ironically too, the FDI that targets Southern Africa region are concentrated in just a few countries, South Africa and Mozambique for example (NEPAD, 2010; UNCTAD, 2014).

The patterns and quantity of FDI inflows into African locations has always been worrisome even today (UNCTAD, 1999; Onyeiwu and Shrestha, 2004; NEPAD, 2010; Anyanwu, 2011). Given that FDI is the most potential strategy that can help close the development gaps in developing countries (UNCTAD, 1999; Brooks et al., 2010; NEPAD, 2010) African countries included, through foreign capital injections and a myriad of other development benefits such as knowledge transfers and creation of employment. The share of FDI is particularly worrisome because African countries are by far, unable to sustain their own economic growth and strategic development goals from own domestic means, which means they require capital from external sources (UNCTAD, 1999; Brooks et al., 2010). Of most of the foreign income, FDI is believed to be the best option, presumably because others are volatile or unsustainable (Klein, 2003; World Bank, World Development Indicators, 2013). According to the same report, FDI accounts for 87% of international capital flows to developing countries and other forms of capital such as official debt and private creditors accounts for 7% and 1% respectively, whilst the most volatile portfolio equity accounts for 5%, which explains why FDI is the most robust and preferred form of foreign capital.

3.5.1 FDI into South Africa

The democratic government of South Africa has always had a goal to attract FDI as manifested in the very early government obligations stated by Mandela (1993) cited on the SAFPI (2013) website. This is further demonstrated in South Africa's major economic policies, which clearly shows that the government really appreciates that FDI has the potential to facilitate economic growth and development. For example, in the major economic policy document named the Growth, Employment and Redistribution (GEAR), it proves that the government believes in FDI for the economic growth and development.

From a distant view point, South Africa's share of FDI looks considerably substantial, especially if compared with the rest of Africa. From the time that apartheid was abolished in 1994 FDI flows to Africa have been in favour of South Africa. For instance, during 2013, when FDI into the Southern Africa region rose by nearly 7% from the previous year, it is estimated that about 5% went into South Africa alone (UNCTAD, World Investment Report 2014).

The chart below provides FDI inflow statistics in which countries are ranked on the basis of magnitude of 2013 FDI flows.

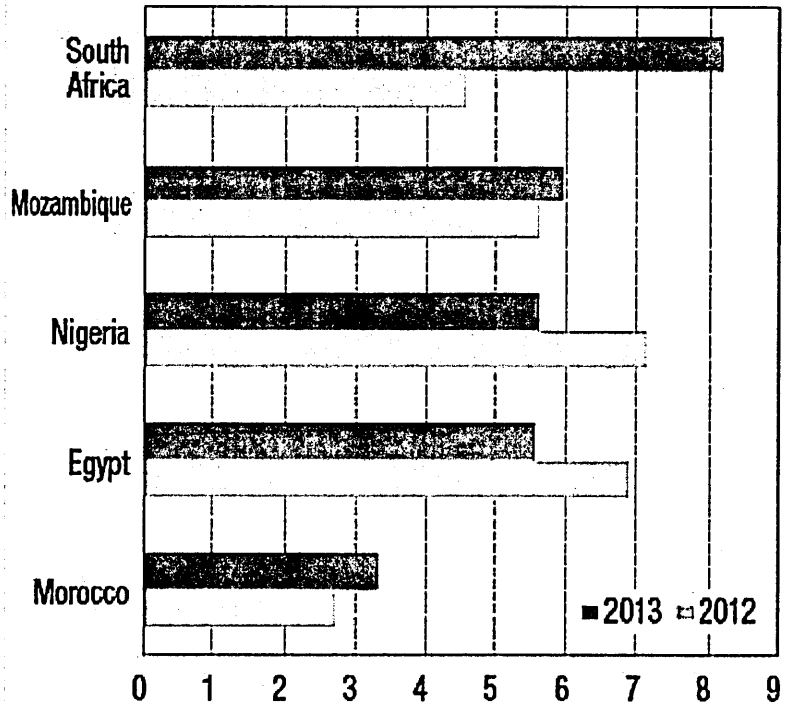

Figure 4: Africa's top 5 FDI recipients 2012 - 2013
Source: UNCTAD, World Investment Report (2014)

Statistical records on South Africa's FDI shows that South Africa's has been progressing well since 1994, and only declining during the financial crises periods, just like in other countries. For example, in 1994, South Africa received R44 701 million compared to R36 334 million in 1993. The pattern henceforth has been inclines, with periods of declines explained by the world economic crises, and in 2010 the South African FDI inflows amounted to a phenomenal R1 015 517 billion (UNCTAD). Facts on industry analysis for 2010 shows that the services sector accounted for 36 per cent of inward FDI, of which 24% of that went into the financial sector, whilst the remainder 38% going into the petroleum and mining sectors and 26% went into the manufacturing sector.

However, the levels of FDI into South Africa are thought to be below the expected, given what the country has to offer to investors (Fedderke and Romm, 2006). Recent trends on inward FDI shows that the levels into the country are slowing down by at least 24% in 2012 as reported in the UNCTAD (2013) report, triggering the enthusiasm to find out why this is happening. Whilst still there, some researchers have pointed out that the nature of FDI into South Africa is not as that desirable to effectively facilitate the growth and development of the economy (Fedderke and Simkins, 2012; Wocke and Sing, 2013).

These claims give rise to the question: why is South Africa not realising its assumed FDI inflow potential? To which this study is responding by analysing the factors influencing the flows of FDI, with an overarching objective to contribute to the overarching cause, FDI promotion, through adding to knowledge, a better understanding of the political investment climate of FDI in South Africa.

3.6 Conclusion

This chapter served to provide insights into the FDI concept, and most importantly its significance, by discussing the theoretical foundations of the FDI analytical frameworks, its strategic logic, nature and motives of both government foreign investors before illuminating the patterns of the global and the South African FDI inflows. The chapter demonstrated that, the motives of host government to attract FDI are driven by a host of incentives the host economies might gain from the influx of FDI. The chapter has also demonstrated that whilst the firms' motives can be resource seeking for example, and host countries endowed with abundant resources that may attract resource seeking FDI, several other factors influence the flow of FDI, hence the reasons why host government should spruce up their investment climates to maximise their FDI shares.

South Africa, just like other resource endowed countries, is thought to attract FDI due to the abundant mineral resources for instance (Gelb, 2005) but recent literatures argue that several other factors are equally significant for the country attract more FDI (Fedderke, 2005; Tuomi, 2011).

It can also be assumed that the motivation for researchers to pursue the field of FDI, and indeed this research topic, is derived from the desire to understand better, the motives of either the investors or the host governments in the development of FDI.

4 CHAPTER FOUR: SIGNIFICANCE OF FDI TO HOST COUNTRIES

4.1 Introduction

Theories explicated in Chapter 3 strongly suggest that the host governments' motives for attracting FDI are fuelled by the assumptions that FDI inflows might benefit the country in multiple ways. Early theorists such as Caves (1971) for example, posit that FDI is an economic growth strategy. Although non-consensual, the host economies' benefits associated with FDI seems the reason behind the growth of FDI activities around the world, and the continuous research interest that has resulted in extensive bodies of literature about FDI. The same reasons were, it should be mentioned, influential factors in motivating this study.

The purpose of this chapter is therefore; to explore literature on FDI benefits to host countries in order to, firstly, expose current knowledge on the various benefits of FDI and how they can be useful in the context of South Africa, given the political challenges exposed in Chapter 8. Secondly, to further substantiate the rationale for conducting the study as expressed in the preceding chapter.
A thematic literature review approach is adopted in order to discuss corresponding findings in clusters of similarity as established in the existing research.

4.2 The role of FDI to host economies

It is important to mention that there is a dearth of up-to-date literature on the benefits of FDI in the context of the banking industry in South Africa or Africa in general. The research works that are available mainly focus on the role of financial markets to the FDI absorptive capacity of host countries (Hermes and Lensink, 2003; Alfaro et al., 2006). Fedderke and Romm (2006) reports in general, the positive impact of FDI to South Africa in respect of technological spill-over effect from foreign firms to domestic firms and industries, as well as the complementary effect of FDI on domestic capital.
However, with regards to the limitation in knowledge on whether FDI is of benefit to the South African banking industry, this is not the first time this limitation has been brought to light. More than a decade ago, Papi and Revoltella (1999) also mentioned the scarcity of information on FDI - banking sector nexus, noting the availability of literature that mainly focus on what foreign banks seek in foreign markets (Goldberg and Johnson, 1990). These authors were also concerned about the geographical bias they noted from the few available works, which are mainly focused on the impact of FDI on banking industries in developing countries (see Goldberg and Johnson, 1990; Fisher and Molyneux, 1996; Mutinelli and Piscitello, 2001). Therefore the conceptual framework for supporting the study's rationale is built from the world views on the benefits of FDI to host countries.

4.2.1 FDI as a strategy for sustainable economic growth

FDI is thought of as a direct and indirect factor of long-run economic growth and development (Li and Liu, 2005; Johnson, 2006; Wang, 2009; Dollar, Kleineberg and Kraay, 2013). Several scholars have examined the FDI - economic growth link and provide evidence of channels through which FDI positively affects the host countries' economies. For instance, Neuhaus (2006) provides insights on how FDI enhances growth through three main channels (1) direct transmission through FDI, particularly the Greenfield investments (2) indirect transmission that is achieved through ownership participation of local firms/individual in foreign companies and (3) through technology spill-over. Similarly, Crespo and Fontoura (2007) outline 5 channels which are also thought of as platforms from which FDI stimulate economic growth. According to Crespo and Fontoura (2007) FDI promote growth directly through capital injections and indirectly by facilitating job creation, industry growth and development through knowledge transfers by demonstrations and imitating the practices and strategies used in foreign firms, and by transfer of skills through labour mobility and movement from foreign firms to domestic firms. In South Africa, FDI is linked to industrial growth and development through technology spill-over from foreign firms to domestic firms (Fedderke and Romm, 2006)

The significance of economic growth, according to Brooks et al. (2010) is, although not the absolute panacea, necessary for narrowing the development gaps in developing countries. In the opinion of Brooks et al. (2010) economic growth enables countries to achieve basic development goals such as employment, poverty alleviation, enhancement of human capacity through access education and health, hence the interest in strategies that contribute to economic growth in developing countries.

Some empirical evidence shows that some countries have grown their economies through FDI. For example, since the early 1990s to recently, China's economic growth has, to some extent, been attributed to FDI inflows, which has contributed to its domestic capital formation, increased exports and creation of new jobs (Kok and Ersoy, 2009). A considerable literature focusing on China shows significantly positive relationship between FDI and economic growth. Focusing on China, Chen et al. (1995) finds that FDI has been positively associated with China's higher growth rates between 1970 and 1990 facilitated by improvement in industrial productivity through technology transfers and through increased exports. In the same study, Chen et al. (1995) also claim that FDI has fostered domestic manufacturers to compete globally, which could be due to competition that domestic investors may find themselves in the presence of FDI, and then seek means to tap into other potential markets, or due to acquiring skills and new equipment from FDI that enables them to produce competitive products, or simply wanting to grow by growing global after emulating foreign investors' global strategies. Entering the global markets by domestic firms is advantageous as this boost the country's exports, which also helps boost the country's foreign capital, a much needed resource in African countries.

Also focusing on China, Dees (1998) carried-out a running-simulation investigation on the China's quarterly data and concludes that FDI enhances China's economic growth through diffusion of diverse ideas and knowledge from foreign firms to domestic firms. According to Dees (1998) FDI is responsible for China's long-term and sustainable growth, which has been through its technological exchange influence, although he stresses that this was the case particularly in the 1990s era.
Still in China, Dees (1998) findings were echoed by Berthélemy and Démurger (2000) who also admit establishing a positive effect of FDI on growth in China. Just like Dees (1998), the two authors established that China's growth is facilitated by the adoption of foreign technologies brought in by FDI.
The FDI-led growth and spill-over theories have been empirically supported by various other scholars elsewhere too. Analysing data of the developing countries, Li and Liu (2005) use panel data to investigate whether FDI causes economic growth in the 84 developing and developed countries they focused on. The authors conclude that they identified a significant endogenous relationship between FDI and economic growth, suggesting that FDI promotes growth directly and also indirectly, through interactive relationships in the economy. For example, the availability of a well-developed workforce, which they say, helps in the adoption and assimilation of FDI benefits in domestic firms.

Empirical research on the benefits of FDI in African countries is limited, but from the few that are available, findings seem to also support the FDI-led growth theory. Recently, Gui-Diby (2014) investigated the effect of FDI on economic growth in 50 African countries, using data from period 1980-2009. Although the findings indicate a negative relationship period 1980-1994, a significantly positive relationship between 1995-2009 provides compelling grounds on which to support the idea that FDI is somewhat, benefiting African nations. The negative results in the early 1980s could be owing to the absence in the necessary absorptive capacity in most African countries during that period (Gui-Diby, 2014) since FDI requires some level of development for it to affect positively on the host economy (Boreinsztein et al., 1998, Durham, 2004).

4.2.2 FDI as a source of capital

FDI is associated with the advantage of injecting direct capital finance into the economy, and therefore is expected to boost foreign capital stocks in a host country and the rate of capital formation is believed to determine the rate of economic growth (Levine and Renelt, 1992). Economic growth can be facilitated by increased stock capital, which FDI is believed can help accumulate (Dupasquier and

Osakwe, 2006). The most common external forms of capital host nations can receive are foreign portfolio equity (FPE), bank loan inflows, and FDI. Of the three forms of capital inflows, FDI is believed to bring in greater benefits to host nations than portfolio equity or external loans (Ozturk, 2007), particularly because loans, for example, attract interests and can be burdensome on the country's current accounts, and on the other hand portfolio equity investments are seen as not permanent and can be withdrawn abruptly (Klein, 2003). In simpler terms, the difference between FPE and FDI can be drawn from their definitions, where FPE is seen to have no lasting investment interest and control in foreign entity, whereas FDI is much more permanent as it entails long-lasting relation relationships and interest in resident entity (OECD, 2008; Razin and Sadka, 2012).

There are economic advantages necessitated by capital accumulation as literature attests.
Fore-mostly, the importance of capital formation and accumulation is fundamental to developing countries in Africa, who struggle to raise capital from their own internal sources such as domestic saving. Thus, faced with an economic problem of limited domestic savings (NEPAD, 2010) FDI is believed to help fill the savings gap by channelling income into the country and enabling the country to boost its capital reserves (Dupasquier and Osakwe, 2006). Further, it is also argued that FDI has the balance of payment effect as it is capable of boosting capital reserves, which therefore, improves a country's current account (Brooks et al., 2010). Factors such as corporate tax, reduced imports and increased exports (assuming the increase in production and productivity in local industries will result in producing products locally rather than importing) are believed to relieve pressure on the already limited national budget, and particularly narrowing the domestic savings gap (Ozturk, 2007).

In literature, there is some evidence that FDI contributes to capital formation in South Africa (Fedderke and Romm, 2006). South Africa, just like most other African countries, has a history of domestic savings deficiency (Fedderke and Simkins, 2012) which is critical for financing and supporting domestic investments or for investing in social development projects. Some researchers have indicated that the levels of domestic savings in South Africa are relatively low (Lewis, 2001; Schoeman et al, 2000), with Leshoro (2014) adding that, if compared with other emerging economies such as the BRICs, South Africa's are the relatively lowest, hence its dependency on external sources of finance. The significance of foreign capital inflow into South Africa is stressed by Fedderke and Simkins (2012) who after evaluating factors driving economic growth in South Africa using the standard growth accounting decompositions, established that the South African economic growth is mainly led by capital accumulation from external sources rather than internal because of poor domestic savings. In that vein, Fedderke and Simkins (2012) credit FDI for growth episodes that South Africa experiences, adding that it is the foundation of long-run economic growth. Specifically, Fedderke and Simkins (2012) also pointed out that when foreign investments decline, so do growth levels in South Africa.

On a different perspective, some researchers consider FDI to be a reliable and resilient form of income, especially if they are long-term commitments, which means they are less or rather non-volatile sources of income that protect the country from the volatility of global financial markets (Lipsey, 2001; Klein, 2003; Ozturk, 2007). Notably, according to Loungani and Rasin (2001), FDI remained robust and stable during the global financial meltdown in the Asian region in years 1997-1998. This sort of resilience is also noted during the Mexican financial crisis of 1994-1995 and during the Latin American debt challenges in the 1980s. Busse and Hefeker (2007: p412) added, saying that "Foreign direct investment is a desirable form of capital inflow to emerging and developing countries because such investments are less susceptible to crises and sudden stops". The World Bank (2000) echo similar sentiments, pointing out that, because FDI are a resilient form of investment if compared to other forms of private capital inflows such as portfolio equity, debt flows or foreign aid, FDI acts as a shield to protect the poor who are often more likely to suffer the consequences of global financial meltdown (World Bank, 2000 cited in Klein, 2003). Generally, researchers arguing in support of FDI as a resilient form of capital maintain that short-term capital flows are subject to reversals during crises, unlike FDI which is considerably long-term capital commitments (Lipsey, 2001; Ozturk (2007).

On the grounds of the theoretical arguments given here, particularly the reason that other forms of capital are burdensome, for example bank loans are unsustainable, foreign aid is volatile, and portfolio equity investments are also volatile, FDI seems the most likely potential strategy for narrowing the savings gap and boosting the capital reserves needed to finance domestic investments and developing projects in developing countries.

In relation with the study's focal industry, literature focusing on the impact of FDI on the banking sector is limited and is even scant in the African contexts. The dearth of knowledge on such an important economic sector (Hermes and Lensink, 2003) signifies a hole in literature that requires pointing out for future research. Elsewhere, foreign banking presence has been associated with influencing market concentration in the host commercial banking industry. According to Cho (1986) the foreign banking presence contributed to the increased banking market competition in the Indonesian banking industry. Cho also concludes that market growth and number of banks have a positive influence on banking market concentration in Indonesian banking. Empirical research has shown that a country's financial market is fundamental in the FDI-growth and development relationship. Alfaro et al. (2006); Hermes and Lensink (2003) both argue that a country's financial market, particularly the banking sector, is fundamental for the country's ability to attract and utilise the benefits of FDI. According to Hermes and Lensink (2003) a well-established and functional financial market plays a significant role in reducing the risks associated with domestic investment when they seek to imitate new technologies, which improves the country's absorptive capacity in respect of FDI inflows. Similarly, Alfaro et al. (2006) concluded that, for FDI to impact positively on a host country, the development of its financial markets is, to a greater extent, a fundamental pre-requisite.

4.2.3 FDI as a means for closing development gaps

The FDI-led growth assumption does not claim that FDI has direct positive impact on the social spheres of a country, but literature in support of the assumptions provide compelling evidence to suggest that FDI has positive impact on the social spheres of a country due to a broad range of inter-connected FDI effects and spill-overs (Bosworth and Collins, 1999). In Gohou and Soumare (2010) opinion assessing the effect of FDI on the development of social spheres can be done from (1) a social development viewpoint, particularly assessing changes in variables such as employment, poverty, education, housing, water and sanitation, and other factors that can indicate improvement of the people's welfare and standards of living, an opinion echoed by Brooks et al. (2010) when they insisted that GDP is not the only measure of economic growth but human capabilities, political freedom, including health and safe environments amongst other measures. These writers claim that FDI, particularly Greenfield, helps host countries achieve some degree of improvement in social spheres (human development) through employment creation, skills development by bringing in technological knowhow and innovation. From an economic viewpoint, the facilitation of human development is believed to help economic growth because, human development, in particular the enlargement of the human capital in terms of efficiency and size for example, is fundamental for a country's productivity and can contribute to a sustained and long-term growth and development, and stressed earlier, economic growth is a critical factor for development.

As already mentioned, one of the major problems facing most African countries includes the lack of foreign capital to finance investments or development projects. There is theoretical and empirical evidence which demonstrates that FDI is a source of sustainable external capital, which governments could use for developmental programmes. Theoretically, it is well-accepted that FDI enhances capital formation and accumulation (De Mello, 1999) and the capital has been linked to the development of numerous public social spheres in developing countries. For instance, money raised directly from investment inflows and through tax revenues could provide funds for financing development projects such as education, providing decent housing, water and sanitation and so on (Boreinzstein et al., 1998). As mentioned earlier, providing education for example, will not only benefit the country's social status, but developing a robust human capital base has a positive impact on economic growth through increased productivity and efficiency, according to the new growth theory. Plus, without an education population, assimilation of FDI benefits is believed to be problematic (Durham, 2004). It is also common knowledge that education increases the labour market efficiency, thus, the ability of people to learn and better understand new ideas and practices, facilitation of innovations and development of new technology, all of which, as Brooks et al. (2010) points out, increases efficiency and productivity.

Another socio-economic challenge in most African countries, which is severally mentioned in the South African literature, is the high levels of unemployment (Kingdon and Knight, 2007). In as far as relieving the unemployment problem is concerned, FDI is thought of as the potential factor for employment creation in host countries (Boreinzstein et al, 1998; De Mello, 1999). The job creation effect of FDI is a significant requirement in African countries because of the high levels of unemployment and South Africa is one of those that require better understanding to the solutions to the unemployment challenge. In theory, explaining the motives of FDI, Dunning (1993) held that some form of FDI, in particular those that want to access low-cost factors of production (resource-seeking FDI) can be attracted to a country with abundant low-cost unskilled or highly skilled labour force, and on that accord, FDI creates employment for the local population.

Writing from an empirical position, Alessandrini (2014) wrote that FDI generates employment through two possible channels, but admittedly pointed out that it depends on the type of the FDI inflows. According to Alessandini (2014), employment creation is maximised through Greenfield investments than through brownfields because Greenfield investments promote new job creation with high chances of employing local labour. Plus they can intensify new industry entries, which also increases new job creation. On the contrary, brownfield investments are associated with reducing employment as mergers and acquisitions for example, take out a local firm, which also is associated with reduction of competition because of oligopolistic characteristics that comes with swallowing local firms.

FDI is believed to generate employment through backwards and forward linkages, as Tang (2011) finds out when he explored the possible connections between FDI inflows and employment linkages in the manufacturing and services industries in Singapore. Tang's analysis provides evidence of both long and short-run positive influence of FDI on employment in the manufacturing and services sector and employment linkages in both industries.

In Pakistan Habib and Sarwar (2013) establish that FDI is not only helping with employment creation, their findings show that it enhances economic growth and stability of a diversity of macro and microeconomic factors as well. Mickiewicz, Radosevic and Varblane (2000) establish that FDI helped with employment creation and preservation in Hungary, although the results were not significantly positive in Czech Republic, Slovakia and Estonia.

In the author's viewpoint, the theoretical understanding of the FDI and employment relationship is multilevel and cyclic. FDI is expected to generate employment through channels such as additional capital flows, which are believed to accelerate economic growth. Accelerating economic growth has the economic advantage of attracting more investors, and the influx of more FDI creates more new jobs (Dupasquier and Osakwe, 2006). The cycle can go on to connect the advantages of more jobs, which could be related to more employment and improved disposable income, which could boost the national demand for products, and again, which could accelerate economic growth. The effect of a growing economy can be linked back to the attraction of FDI, particularly the market-seeking FDI (Dunning, 1993) who are interested in the growth potential and purchasing power of the country. The concentration of FDI is also linked to the attraction of more FDI by other FDI as it is believed that countries with relatively high levels of foreign investors attracts more FDI in like or related industries (Sichei and Kinyondo, 2012).

The agglomeration FDI concept for example, is based on the assumption that FDI is attracted to countries or regions where there is already a concentration of FDI as this boosts the confidence of other potential investors, by providing them with the foreign market knowledge (Anyanwu, 2012). The literature reviews in the present study revealed that Agglomeration is common in sectors such as the banking sector, where researchers such as (Mutinelli and Piscitello, 2001) have argued that FDI inflows can be a result of following home country clients. FDI into the banking industry of US for instance, is attributed to the FDI in the manufacturing industry, thus, foreign banks from Japan entered the US markets following their clients from home market (Yamori, 1998).

To demonstrate the density of the unemployment problem and how significant employment is in the developing countries, it can be pointed out that unemployment is related to poverty, plus, unemployment is one of the measures used to assess economic growth. The creation of jobs and providing job opportunities to the population is therefore believed to be the most effective way of alleviating poverty (Seekings, 2000; Jenkins and Knight, 2002) as well as a mechanism for boosting economic growth (De Mello, 1999). Seekings (1999) argues that unemployment is a result of insufficient investments and investments can be external or internal. Ironically, in the light of developing countries, internal capital to finance investments is limited because of the relatively low capacity to sustain domestic savings in most developing countries (Ozturk, 2007) and have relatively limited chances of improving the situation. Consequently, the lack of domestic savings to boost investment capital makes it relatively impossible for countries to shake off the poverty challenge, which is yet another challenge in African countries.

From the perspective that FDI can positively impact on social spheres, Klein (2003) specifically addresses the question whether FDI helps reduce poverty and concludes that FDI promotes growth. He then argues that it is growth that promotes the growth and development needed for poverty reduction and the creation of a more balanced economy. In the same line of thought Ravallion (2001) claims that growth is a means for sustained poverty alleviation because it increases the disposable income of the population, and the government, presumably from employment and from revenues. This presumably means that, the more FDI a country gets, the more likely that new jobs are created, and the more likely too, that the country's capital reserves for funding developmental projects accumulates. To the government, the accumulation of capital could mean the subsequent financing of human development in the long-run and as mentioned earlier, a host country's human capacity is paramount for its economic growth because it is a channel through which FDI benefits the host country, in terms of productivity and efficiency for example (Wijeweera et al., 2010).

More debates focusing on the effects of FDI on growth and the poverty alleviation effect continue to contribute to the already large body of literature. For instance, those focusing on the Asian region, (Jalilian & Weiss, 2002) and on Africa, Gohou and Soumare (2010) use FDI net inflows per capita and the United Nations Development Program's Human Development Index as the principal variables to examine the relationship between FDI and poverty reduction. Both empirical analyses confirm a positive and significant relationship between FDI net inflows and poverty reduction in Africa. However, the two authors caution that the results differ per region, which implies that since African economies are different, in terms of other factors that motivate or encourage FDI (Dunning, 1993) their response to FDI benefits are likely to be different too.

In the same vein, some researchers such as (Alessandrini, 2014) have associated FDI with the country's social status enhancement, especially when it generates employment and people could afford to change their standards of living by educating themselves, accessing products and services that they otherwise would not afford without employment. Others add that with employment, people can afford to access private health care and education, which contributes to status upgrading (self-actualisation) and social well-being (Gonzales, 1988) and a few such as (Moran, 1998) have argued from the corporate social responsibility perspective, that is if the foreign investors choose to engage in projects that could improve the lives of local people such as building schools, providing health facilities, environmental protection works and so forth.

4.2.4 FDI as a means for developing the domestic industry

Literature comprises of alike positive views on the effect of FDI on a host country's domestic firms and industry at large, with various authors demonstrating how and what FDI spill-overs relates to the domestic firms or the industries, and how it links to the economic growth.

Amongst the numerous perceptions and assumptions in theory, is the FDI and technology spill-over effect through various forms of backward and forward linkages involving similar and related industries, which effectively, is thought of as the most robust factor in the FDI-economic growth relationship in South Africa (Fedderke and Romm, 2006). As early as 1978, Findlay (1978) predicted that FDI has the potential to facilitate economic growth through technological advancement and technological knowhow leakages from foreign to domestic firms. To that effect, there are some plausible although inconclusive, theoretical and empirical evidence supporting that innovations and technologies, as well as the technological knowhow spill-overs from FDI enhance economic growths in many ways.

To begin with, the modern growth theories emphasise the need to augment innovation as a driver of economic growth. Along that line of perspective, some researchers (De Mello, 1999; Boreinzstein et al., 1998) argue that new innovations in technology and technological knowhow originates from the developed countries, and can be transferred by foreign investments from developed countries. This argument sounds similar to Vernon (1966) on his production life theory, which is the foundation of the Vernon (1966) and Porter (1998) product life cycle model, in which he suggested that modern technology and innovation starts in developed countries whose firms can afford the costs of research and development that goes with new innovations and knowledge (Vernon, 1966; Porter, 1998).

In view of that, FDI is seen as a channel through which knowledge from developed countries to developing countries is conveyed. Boreinzstein et al. (1998) argues that there are knowledge gaps between rich and poor countries, and believe that domestic firms in poor countries can benefit from a host of FDI spill-overs such as technological knowhow and expertise, if the FDI is originating from developed countries. Given the financial constraints in developing countries, it makes sense to conclude that FDI is the most likely channel through which developing countries can access technological knowhow and new innovations.

Quite a substantial amount of scholars argue that FDI can facilitate technological change in home industries through the adoption of foreign technology and know-how, as well as technological transfers, which could mean improved efficiency in production, thus boosting host country economies in various ways (Cotton and Ramachandran, 2001). For instance, advancement in technology and technological knowhow is believed to improve performance and output, not only within the same industry, but in related industries too (Xu and Sheng, 2012). Thus, output and factor productivity growth is expected to increase in a recipient country through technological advancement from FDI inflows. What this means is that the country puts its resources into use effectively and efficiently, and that is an indicator for a healthy economy. The role of technology as an economic growth driver is also argued for empirically. In studies by Borensztein et. al., (1998) and Alfaro et al (2006) for instance, credit technological processes and innovation as drivers of economic growth through improving the production capacity of labour and physical capital, thus, improving the GDP per hour worked by means of more efficient tools and knowledge.

Along that line of argument, Keller and Yeaple (2009) find that knowledge spill-over, particularly technological knowledge, leads to significant productivity improvements of domestic firms in the US manufacturing industry. Also focusing on the US (Branstetter, 2006) finds that FDI facilitates the spill-over of technological knowledge between foreign investors and domestic investor. In China, Xu and Sheng (2012) analysed firm-level census data of period 2000-2003 in China to ascertain whether FDI has any effect on the domestic firms in the Chinese manufacturing industry and concluded that, although domestic companies differ in as far as the extent to which they benefit from FDI, firms in the manufacturing sector has benefited, in terms of productivity, from FDI during that period. According to the authors, the positive spill-overs from FDI to domestic firms results from forward and backward linkages between the two, particularly when domestic investors purchase "high-quality intermediate goods or equipment from foreign investors" (p62) and presumably as well, absorb the technical skills on how to use those sophisticated equipment.

Further, FDI is thought of as a platform from which domestic firms could access global markets (Jenkins and Thomas, 2002). Earlier on we observed that FDI is associated with the facilitation of the modernisation of local industry through new technologies introduced by foreign companies, which besides facilitating high productivity, is believed to improve competitiveness of domestic firms and their products on global markets. In that vein, some scholars have concluded that FDI can facilitate the entry of domestic firms into exporting, and exporting is a significant factor for economic growth, for it brings in the foreign income that can be used to finance domestic investments and to facilitate projects that could help narrow the development gaps such as education and health.

For instance, Tiwari and Mutascu (2011) examine the impact of foreign direct investment on economic growth in Asian countries. Evidence from their empirical investigation shows that FDI helps boosts a country's exports. Similarly, in a case study involving the Vietnamese manufacturing sector, Anwar and Nguyen (2011) finds that the presence of FDI through horizontal and forward linkages facilitated the increase in the likelihood of domestic firms to start exporting and increasing their export share, although the level of technology, size or even the structure of the domestic firms plays a significant role in the new development.

In Mexico for example, Kokko (1994) used industry data from the Mexican manufacturing industry to investigate the effect of FDI on the domestic firms and concluded that the presence of FDI enhances the competitiveness of the local firms in Mexico. Previously, Blomstrom (1986) had also examined the effect of FDI on the productive efficiency of domestic companies in the Mexican manufacturing industry and established that the country's industrial development and competitiveness of local firms, specifically manufacturing industry, is positively linked to the FDI inflows. Later on Griffiths and Sapsford (2004) appeared to agree with previous studies when they established that significantly positive impact of FDI on the growth of Mexican economy.

However, what remains ambiguous in most of these studies arguing that FDI facilitates access to global markets and the subsequent increase in exports by domestic firms is that, the authors do not show how and whether the domestic firm benefited from FDI or they just reacted to competition and decided to seek external market opportunities.

To explain the FDI and increased export advantage, it can be argued that, the competitiveness of domestic firms and products and the access to global markets could go further to accelerate growth and development in terms of higher exports, which are again associated with a myriad of economic advantages to the host country. For instance, increased exports by domestic firms, is believed to have a positive effect on the country's balance of payment (Anwar and Nguyen, 2011). This is because its exports improve foreign currency inflows, and are also a relatively sustainable capital source unlike other sources such as the IMF loans for instance. Further, the modernisation, productivity and efficiency of domestic industries through advanced technology and technical knowhow as well as through the introduction of sophisticated machinery associated with presence of FDI, could result in competitive products, which could also result in the reduction of the need to import goods from other countries. These advantages, just like increased exports, could help reduce budget burdens and goes a long way into contributing towards closing the income gaps facing South Africa for example.

Moving on, it is also anticipated that FDI will promote the growth of domestic industries by crowding-in domestic investments through backward and forward linkages of more investors in related and linked industries (Kim and Li, 2012) that will probably be attracted by demand from other companies or ordinary consumers. Thus, FDI is thought to stimulate industry dynamics through vertical and/or horizontal spill-overs, which stimulates entrepreneurial interests in host countries (Kim and Li, 2012). According to Ayyagari and Kosova (2010), the presence of large FDI firms is thought to stimulate the entry of domestic firms into the same industry, but points out that the benefits differ per industry sector and that, although FDI poses the threat to domestic firms, effective policy making should minimise the crowding-out effects of FDIs in host countries.

This viewpoint is also supported empirically, although the extent to which FDI can then impact positively on economic growth is said to rest on the complementarity levels between FDI and domestic firms De Mello (1999). In the FDI and domestic firm complementary investigation involving 15 Organisation for Economic Co-operation and Development (OECD) and 17 non-OECD countries, De Mello (1999) finds that FDI impacted positively on the firms within the OECD countries and negatively on those outside the OECD community. However, the difference in findings could be due to the differences in the host countries' absorptive capacity. For instance, the OECD countries are a cluster of countries that have similar economic goals and therefore could possibly share FDI policy ideas such as those that encourages openness, and openness is supposedly one of the absorptive capacities that a country may need to have in order to assimilate the FDI benefits. Openness to trade seems a pre-requisite for the FDI-growth relationship in developing countries. A study by Basu et al. (2003) confirms that liberalised economies benefits more from FDI than in restricted economies.

Whilst conceding that FDI influences growth in the 22 developed and developing counties that they studied using data set built around information on 14 manufacturing sectors during period 1992-2004, Cipollina et al. (2012) provide evidence of positive and statistically significant effects of FDI on the rate of growth of domestic firms in the specific industries in the specific recipient countries. The same views that FDI can impact positively on local industry were echoed elsewhere by Markusen and Venables (1999) when they assessed how FDI affect local firms in the host country. Using an analytical framework they developed, the results from their analysis confirms that FDI is complementary to local industry and FDI may promote the start of new local industrial sectors. In the optimistic opinion of Markusen and Venables (1999) the local sectors may grow to the point where local production overtakes and forces out FDI plants in the long run, of which the development of robust local industries can turn to be long-term and more resilient source of capital for social development, employment creation and human capital development, boosting the lacking domestic savings, significant in developing countries.

Before rounding off the discussion on the link between FDI and the domestic firms/industry, it is appropriate now to consider the logic behind FDI and domestic industry relationship in terms of how FDI would then stimulate economic growth through the domestic firms' platform. Firstly, economic growth per capita is supposedly driven by improvement in productivity. According to the neoclassical growth theory, economic growth is influenced by factor accumulation and total factor productivity (Felipe, 1997) cited in Ozturk (2007) and in this case, factor accumulation can mean a well-developed labour-force amongst other factors of production, to achieve labour market efficiency and this can be linked back to the human capacity development discussed earlier. Accordingly, Almfraji and Almsafir (2014 p 206) wrote that "increased productivity means producing more goods and services with the same inputs of labour, capital, energy and/or materials", of which, as we have already seen, could be facilitated by FDI inflows, which is thought of as a source of monetary and non-monetary factors of production in host countries such as capital inflows and labour development.

4.2.5 The divergent view on FDI-led growth and development theory

In as much as literature provides substantial empirical and theoretical grounds for arguing the case for the FDI-led growth theory, literature also provides arguments that put the same theory to question, as some scholars (De Mello, 1999; Carkovic and Levine, 2002; Choe, 2003; Nuzhat Falki, 2009; Chowdhary and Kushwala, 2013) finds negative or mixed results.

For instance, some of the scholars believe that FDI benefits host countries but it does not do that in solitude (Borenzstein et al., 1998; Karbasi et al., 2005; Azman-Saini et al., 2010) and that FDI is significantly related to economic growth but benefits of FDI vary per country by country because of pre-conditions such as; financial development levels (Durham, 2004; Alfaro and Charlton, 2007) or other country advantages such as well-developed human capital (Boreinzstein et al., 1998; De Mello, 1999; Karbasi et al., 2005 cited in Ozturk, 2007; Li and Liu, 2005; Wijeweera et al., 2010) the capacity of domestic investments to assimilate FDI spill-overs (Borensztein et. al., 1998; Bengoa and Sanchez-Robles, 2003; Tiwari and Mutascu, 2010; Chowdhary and Kushwala, 2013) region differences (Ewing and Yang, 2009) and time (Chowdhary and Kushwala, 2013) institutions (Durham, 2004) openness (Zhang, 2001; Basu et al., 2003) or it could be because of sectorial disparities, in the author's opinion, for example, manufacturing sector versus the banking sector, or industry level such as primary sector versus the secondary sector.

More arguments refuting the FDI-led growth theory are established in literature. For instance, in a firm-level examination of the effect of FDI to economic growth in Venezuela, Aitken and Harrison (1999) refute that FDI accelerate growth through productivity after they discovered that the net effect of FDI on productivity is relatively small since FDI increases productivity only within the firms receiving FDI and at the same time lowers productivity in domestic firms. From that observation, the two writers concluded that FDI does not have positive spill-over running to local firms and that those in industries with a high concentration of FDI were experiencing low productivity.

There are also conflicting views on the relationship between FDI and the domestic firms. Previous research has shown that there is a complementary relationship between FDI and domestic firms (Ndikumana and Verick, 2008) although the complementarity is subject to mixed opinions, to which until now, literature provides no consensus on whether the two complement each other or impinges on the success of the other. Theoretically and empirically, FDI is associated with the positive vertical and horizontal spill-overs that are believed to benefit domestic firms. Accordingly, when the relation is positive, FDI is thought to play the complementarity role, facilitating the growth and development of domestic firms/industries in the host economy through a process called crowding-in or through all the positive transfers discussed earlier. But critics allege that FDI has a direct or indirect crowding-out (displacing) effect on domestic investors (Reinhart and Talvi, 1998) which could be a result of increased competition, the asymmetries of access to capital and other economies of scale and scope advantages that foreign investors have over domestic investors.

The crowding-out effect on local firms by some types of investment was confirmed by Jenkins (2006) after exploring the Vietnamese economy and find out FDI caused the closure of domestic firms and industries, and by Mišun and Tomšík (2002) who found evidence of a crowding-out effect in Poland, although there was a crowding-in in the Czech Republic.

Accordingly, Agosin (2000) cited in Mišun and Tomšík (2002) points out that the ability of FDI, (presumably due to economies of scale and scope, in the form of access to resources such as financial resources, wide scale marketing and advertising capacity or by erecting invincible barriers to entry through prices wars) to exert unfair competition on small firms can effectively force out domestic firms, who, in most cases, are smaller and have comparatively smaller economies of scale and scope to compete with large MNC.

Meanwhile, the crowding-out effect could also be explained from the early theoretical assumptions in literature, when Aharoni (1966) argued that FDI can be necessitated by the need to run away from home competition, and once in foreign countries, foreign firms can do anything to protect their oligopolistic position (Knickerbocker, 1973) especially if the foreign country does not have rigid FDI regulations in the first place (Caves, 1971). The effect can also be related back to Hymer (1976) who in his doctoral thesis identified that the removal of competition is an advantage specific to foreign investors and therefore one of the key FDI factors. Thus, in accordance with Hymer (1976) assumption, the ability to kick-out competitors is a firm-specific advantage which can indicate whether FDI would take place or not, to which Knickerbocker (1973) concurred, predicting that FDI can have the oligopolistic characteristics, which means, they can deliberately drive out domestic firms in order to protect their oligopolistic or even monopolistic positions in the market, resulting in the extinction of domestic industries (Agosin, 2000). However, the effect of the crowding-out characteristic of FDI is thought to vary across industry sectors and over time (Liuyong and Guoliang, 2002; Zhipeng and Zinai, 2004; Inekwe, 2013; Kokko and Thang, 2014).

In the light of banking sector, Levine (1996) notes a few risks to domestic firms due to the presence or inflows of FDI into the banking sector. He suggested that the presence of foreign banks may significantly diminish the market power of domestic banks, creating an oligopolistic market for big foreign banks, and in the end, driving out or buying out domestic banks. Although Levine argues that foreign banks can help improve the policy, regulatory and legal environment in host countries by facilitating the adoption of efficient and effective financial regulations and supervision from developed countries, it can be contested that, foreign banks can influence the direction of policies, if they become big and more powerful. Additionally, it can also be argued that foreign banks can be a source of global financial crisis, which can affect negatively on developing countries. Still on the crowding-out effect, Stiglitz (1993) cited in Papi and Revoltella (1999) posit that, because of their strong financial muscle and ties with the global financial markets, foreign banks are likely to drive-out domestic banks by attracting depositors with stability and security, putting domestic banks at a disadvantage. The crowding-out effect of FDI on domestic firms is noted in the South African literature, when Fedderke and Romm (2006) found out that FDI crowds out domestic firms, although they highlighted that this happens only in the short run.

A few others argue from the perspective that for FDI to benefit the host country, its capacity to assimilate FDI spill-overs is fundamental. A country's absorptive capacity is the capacity of a country to utilise FDI spill-overs (Durham, 2004) which is determined by the country's level of development (Kalotay, 2001).

Alfaro et al. (2006) admits that FDI contributes to economic well-being but argue that it cannot do that on its own. The findings from their empirical study conducted using cross-country data of period 1975-1995 indicate that FDI benefits more, those countries whose financial markets are well-developed.

Along that line of argument, Borenztein et al (1998) findings confirm that FDI has positive impact on an economy, but findings indicate that the country needs to have some conditions and factors for it to be able to benefit from FDI. In their study, Borenztein et al (1998) cited advanced technology and technological knowhow as necessary factors for FDI to have spill-over effect on a host economy.

Nyatepe-Coo (1998) and De Gregorio (1992) found FDI to be a catalyst for economic growth in the 12 Latin American countries the survey was conducted, but followed suit insisting that some level FDI absorptive capacity is fundamental, citing human capital as an important factor for the host country to receive and assimilate FDI benefits.

Furthermore, benefits from FDI to domestic firms are thought to be limited by trade agreements that are protective of multinational companies (MNC). For instance, other authors such as Mosia (2012) insist that some bilateral investment treaties (BITs) impinge on the complementary effect of FDIs by restricting knowledge transfers between FDI and domestic firms, which may end up driving out domestic firms, who may lack the cutting edge production knowledge and innovation, hence the asymmetries mentioned above (Mosia, 2012).

Overall, we have observed that crowding-in is associated with new jobs, but paradoxically the crowding-out effect can mean loss of jobs. For example, Jian (2005) evaluates the FDI-led employment relationship in China and concluded that FDI helped in the creation of jobs but also reduces employment indirectly through crowding-out of domestic firms. Similarly, Jenkins (2006) after exploring the Vietnamese economy, find out that FDI caused the closure of domestic firms and industries and that again means job losses.

We have also observed that the introduction of new equipment and new technology can modernise domestic industries and firms, which is significant for productivity, it can be reasoned that the introduction of sophisticated machinery, fast and efficient technology, can decrease the demand for labour thereby promoting unemployment. In accordance with Dunning (1993) assumptions on the motives of FDI, efficiency-seeking FDI in particular, and indeed any other types of FDI, may well be interested in cost-cutting operations and introduce technology and equipment that reduces their demand for labour.

4.2.6 The role of banks in the FDI-economic growth relationship

The role of banks in the FDI-economic growth link is apparently important in the processes of economic growth and development that FDI is associated with. As mentioned earlier, banks facilitate the effective, efficient and disciplined accumulation and systematic distribution of funds throughout the economy. Banks have the role to promote capital formation, FDI may generate capital that the developing countries require but growth and socio-economic development may not be realised if the banking system is weak. They are at the centre of all economic activities, for instance, they act as the reservoir of any country's wealth, which is necessary for growth and socio-economic development. Banks have the duty to promote trade and industry, thus, they are the fountain of life need for the development of other economic sectors such as agricultural sectors, which are the backbone of most African economies. The agricultural sectors for example, are likely to be dependent on the effectiveness and efficiency of banks to accumulate and timely distribute capital for the productivity, and later on facilitate the trading of agricultural commodities.

More still, technological transfers and good management practices and supervision from foreign banks to domestic banks may strengthen the country's banking system. By absorbing the technical skills, the technological innovations, the banking system may be able to act timely and to be able to manage financial risks, which in turn, improves the country's financial position and stability. The absorption of technological innovations may also encourage domestic banks to enter the global markets, competing confidently because they too, would be armed with world class innovative financial services and products.

4.3 Conclusion

The chapter provided critical and extensive reviews of literature that contributes to the understanding of why FDI matters to host countries, contributing to the reinforcement of the rationale for this study. It has been astonishing to find out that there is a huge gap in knowledge concerning the impact of FDI on the banking industry. However, the role of banks in the FDI-economic growth relationship is found to be very significant.

On one side, literature compellingly argues that FDI promotes economic growth through various channels, supporting the assumption that FDI stimulates growth and through economic growth, developing countries could achieve basic development goals. Thus, amongst many noted benefits, are the claims that FDI facilitates economic growth indirectly by knowledge transfers, labour improvement, employment creation, and by direct injection of income which narrows the domestic private investment gap and improves physical capital formation and accumulation. Developing countries suffer from low propensity to save due to a large percentage of poverty, unemployment and income inequality, hence the need for external financial inflows to facilitate growth and development projects and to finance current accounts. FDI is a debt-free capital flow and therefore has a direct and positive impact on the capital base of a country, which help alleviate financial problems that afflict developing countries. The banking system, besides playing a very important role in accepting deposits and distributing funds, ensuring timely facilitation of productivity and trade, it is the engine for socio-economic development through stabilisation of the country's financial market by managing financial risks capable of eroding investor confidence.

On the other side, literature also reveals some inconclusive but conflicting findings. For example, in some countries, no positive linkages were found to suggest that FDI influences economic growth, while in some countries both positive and negative relationships were noted. In some studies, findings are inconclusive whilst in others they were weak or insignificant. In some cases, researchers insisted that the benefits are not automatic, as the host country should have some level of development.

However, despite those arguments, the well-maintained position appears to be in favour of the FDI-led growth theory. Also, the analysis of the most recent literature reviews, which summarises theoretical and empirical studies on the FDI and economic growth theory, shows that a larger proportion of the findings have positive linkages between FDI and economic growth (Blonigen, 2005; Ozturk, 2007; Wan, 2010; Doucouliagos et al., 2010; Almfraji and Almsafir, 2014). In as far as the inconsistencies in findings are concerned, Blonigen (2005) as well as Contessi and Weinberger (2009) explain that the weak or null results found in some of the cross-country analyses could be due to the country differences, variable omission and other measurement biases and errors common in cross-country econometric models for example, but not in panel data analyses as this method makes it possible to account for country specific effects not included in the country-specific studies (Cipollina et al., 2012: p. 1604). Also, the pooling of developing and developed countries in cross-country and cross-industry analysis, disregarding the levels of development for example, has been linked to some inconsistences in cross-country analyses (Blonigen, 2005).

In as far as this study is concerned, an extensive study of literature on the benefits of FDI motivated this study, for it is in concurrence with the view that FDI positively affects economic growth and is a significant factor of socio-economic development that fuelled the desire to advance knowledge on the factors of FDI inflows in the context of an African country. Africa, just like other developing countries, her countries are faced with disconcerting growth and development gaps, and therefore could benefit from the plentiful advantages that FDI brings.

The next chapter will proceed to explore literature on the factors that supports or hinder the flows of FDI in various and related locations.

5 CHAPTER FIVE: FACTORS INFLUENTIAL TO FDI INFLOWS

5.1 Introduction

This chapter will evaluate and discuss literature on the factors and condition regarded necessary for supporting the operations of investors and, to a larger extent, attracting FDI in different locations. In so doing, the Chapter locates the study in the context of FDI determinants within the African context. The major purpose of the literature review offered in this Chapter is to discover the current status quo of the existing knowledge in order to identify and highlight the gap in knowledge, which this study attempts to address.

The chapter is multi-fold; the first section begins by broadly investigating the current state of knowledge on the factors influential to FDI inflows in various locations and contexts. Section two, which is the study's focal phenomenon, narrows down to focus and investigates literature with which the research findings directly speak. Special focus is paid on examining literature on the political factors, thus the challenges and risks that hinder the operations and the flows of FDI, again in various contexts including Africa. The other subsequent sections highlights locational factors specific to South Africa and those associated specifically, with the banking industry. The review of literature leads to the conceptualisation of the study's conceptual framework, which is later presented visually.

The final section synthesises literature and underscores the gaps in knowledge by way of pointing out the limitations of existing literature, specifically in terms of depth and detail, then links them to the overarching research question, before highlighting the expected contributions to knowledge.

Just like in the previous chapter, a thematic literature review approach is adopted in order to discuss corresponding findings in clusters of similarity as established in the existing research.

5.2 Locational factors of FDI in developing countries

Literature suggests that FDI location determinants are those comparative advantages that countries possess, which attracts FDI, in the hope that those locational advantages will leverage their competitiveness and profitability (Sichei and Kinyondo, 2012). As highlighted earlier in Chapter 3, literature on the factors determining FDI inflows seem to be categorised by the endogenous and exogenous factors. Thus, those theoretical frameworks concerned about the drivers of FDI that are intrinsic to the firm and those that are concerned about the locational factors.

Since the purpose of this study is to examine the challenges facing FDI in South Africa, the study is concerned with the factors that are exogenous to the firm, and therefore reviews literature endogenous to South Africa and the related context.

Although the eclectic paradigm or the OLI framework (Dunning, 1979) appears to be the most flexible and popular framework that researchers adopt in searching for the aspects influencing the flows of FDI, some literature can be analysed from other analytical perspectives such as the new trade theory and institutional approaches. As explained earlier, the OLI framework asserts that FDI is determined by three sets of micro and macro advantages which Dunning classified as Ownership, Location and Internalisation; where Ownership and Internalisation can be assumed to be those factors that are intrinsic to the firm and Location dimension as the factors specific to the host country. From that perspective, literature in search for the FDI limitations in host country are seemingly embraced in the Location dimension of the OLI paradigm; assuming that, for a firm to decide to invest in foreign locations, it would have already established that it possesses the advantages that would give it the competitive edge it requires to compete in the foreign location regardless of it being foreign. The only advantage that is outside of the foreign company's control is the Location advantage.

To fully acknowledge the contributions made by theories in the FDI determinants theory, literature reviews in this section are organised and discussed according to major findings in various studies, which are presumably undertaken from the Location dimension of the OLI framework (labour and production cost advantage, infrastructure and economic stability), the new trade theory (market size and growth, barriers to trade) and the institutional approach (political factors, institutional quality, FDI incentives).

The general factors promoting or hindering FDI identified in existing studies are discussed below.

5.2.1 Infrastructure

A country's infrastructure, which include the components of the communication and transport, water and electricity, and all other logistics that facilitates a business's day to day operations, are believed to be a fundamental requirement in investors (Vlahinić-Dizdarević, and Biljan-August, 2005) hence their theoretical significance in the attraction of FDI inflow.

Quite a number of studies have argued that the quality of a country's infrastructure has a significant positive effect to its FDI inflows in Africa and other developing contries: Biswas (2002); Asiedu (2002, 2006); Musila and Sigue (2006); Dupasquier and Osakwe (2006); Mengistu and Adams (2007); Demirhan and Masca (2008); Vijayakumar et al (2010); Sichei and Kinyondo (2012) although a few others such as Onyeiwu and Shrestha (2004); Cleeve (2008, 2012) find no statistical evidence to support the claim that infrastructures matter in African locations. Onyeiwu and Shrestha (2004) argue that despite economic and institutional reform in Africa during the past decade, the flow of Foreign Direct Investment (FDI) to the region continues to be disappointing and uneven. In their study they use the fixed and random effects models to explore whether the stylized factors of FDI affect FDI flows to

Africa in conventional ways. Based on a panel dataset for 29 African countries over the period 1975 to 1999, their paper identifies the following factors as significant for FDI flows to Africa: economic growth, inflation, openness of the economy, international reserves, and natural resource availability. Contrary to conventional wisdom, political rights and infrastructures were found to be unimportant for FDI flows to Africa. The significance of a variable for FDI flows to Africa was found to be dependent on whether country- and time-specific effects are fixed or stochastic.

Onto those that find a co-relationship between the two variables, Asiedu (2002) employed panel data methodology to investigate the impact of several FDI factors on the flow of FDI in 22 African countries over the period 1984–2000. Her results positively indicate that good infrastructure would encourage FDI in those countries.

Focusing on the development countries, Demirhan and Masca (2008) used a cross-sectional econometric model to explore the factors supporting or impeding the flows of FDI in 38 countries using data obtained period 2000-2004. Findings in their empirical study are clearly indicative that infrastructure in the form of telephone communication is statistically significant to the attraction of FDI in the countries they studied. In 2009, Kok and Ersoy (2009) analysed the factors of FDI in developing countries too and confirmed that infrastructure, in particular, communication variable is the most important determinant of FDI in their countries of focus. Using data estimates to establish the effects of FDI in 29 Chinese regions period 1985-1995, Cheng and Kwan (2000) confirmed that good infrastructure has a positive effect on FDI perceptions in the various Chinese regions. In Africa, Cleeve (2012) uses cross-sectional time series data on 16 Sub-Sahara African countries, and an econometric model to analyse how the most popular fiscal incentives for attracting FDI to the SSA impact FDI inflows. His results confirmed that improvements in infrastructure and service support systems are important factors to the FDI locational decisions.

Conversely, however, some reject the hypothesis because they find a null or weak evidence of FDI sensitivity to infrastructure of the country. Onyeiwu and Shrestha (2004) study on 29 African countries over the period 1975 to 1999 clearly rules out infrastructures as FDI determinant and Nnadozie and Osili (2004) find relatively weak evidence to suggest that FDI from USA is sensitive to infrastructure in Africa.

Although it can be difficult to ascertain why the results differ, the disparities in findings could be subject to the origin of the FDI and perhaps the motives of the investors too. For example, Kok and Ersoy (2009) specifically analysed the limitations to FDI inflows in the light of capital flows to developing countries and confirmed that communication is paramount to such FDI. The majority of other studies review here do not state the type of FDI under investigation, hence the reason why findings could differ.

In some of the studies, the infrastructure proxy is not at all included in the econometric models, and this could explain why it remains ambiguous whether infrastructure really matters or not.

To some extent, the differences in other macro factors in the host countries could explain differences in these findings. For example, one country may have other attractions superior to the other host country, which supersedes the significance of infrastructure to FDI. Additional, differences in findings can be linked to the motive of the FDI itself. Market and resource seeking FDI may not be responsive to infrastructural factors as efficiency seekers may do. Thus, a company entering a country to exploit mineral opportunities may not be worried whether the roads are tarred or not, but a company that is seeking for efficiency in production may not be attracted to a landlocked country or wherever infrastructure telecommunication and internet are not developed.

5.2.2 Human capital and labour costs

With regards to the human capital effect on FDI, it has been widely argued that foreign investors are concerned with the availability of labour, its cost as noted by Jeon and Rhee (2008), quality and levels of the human capital (Miyamoto, 2008) its productiveness (Tarzi, 2005) in a country, all of which are believed to influence the FDI attractiveness of a country (Demirhan and Masca, 2008; Suliman and Mollick, 2009; Sichei and Kinyondo, 2012). According to Brooks et al. (2010) the level of educated and skilled labour-force is associated with increased productivity and efficiency, the ability to learn and adopt new skills and technology, particularly so in skilled-labour intensive industries. The findings under this FDI factor also vary, as some results are rather inconclusive. For instance, Schneider and Frey (1985) and Cleeve (2008, 2012) are neither positive nor negative, but investigations by Markusen (2005) as well as Rodriguez and Pallas (2008) both shows that knowledge capital is one of the most robust determinant of inward FDI in Spain.

In as far as the cost of labour is concerned, the claims that labour costs determines the flows of FDI is largely contested too. In fact, there is no consensus as to whether or not FDI reacts to labour costs. On the positive side, extant literature seems to be the ones mostly suggesting that FDI reacts to the costs of labour Schneider and Frey (1985); Jeon and Rhee (2008) although a few recent evidence can be drawn from the European literature whereby Bellak et al. (2008) used a panel-gravity model approach to empirically test the impact labour cost on FDI across a sample of selected Central and Eastern European Countries (CEECs) period of 1995–2003 and finds that higher unit labour costs as well as higher total labour costs affect FDI inflows negatively. Whilst still there, higher labour productivity impacts positively on FDI inflows.

Conversely, in some regions, labour cost is not regarded as influential to FDI inflows. For example, in the 10 SSA countries that Bartels et al. (2009) surveyed, results suggests that FDI location decision in

SSA is influenced strongly by political economy considerations but labour and production input variables are not influential. The non-influence of labour cost on FDI in the SSA can be explained by other fundamental aspects such as high levels of unemployment that characterises the SSA countries, which means the demand for labour is lower than the supply, hence presumably, the low labour costs. Also, variations in results could be ascribed to what FDI is seeking in the locations surveyed and the differences in the regions studied. For example, Bellak et al. (2008) shows that in the CEEC, labour productivity matters to FDI decisions but not in the SSA region (Bartels et al, 2009). Further inferences can be drawn from analysing other advantages that the host country may offer to FDI, which may ultimately cancel the effect of labour on FDI inflows to that country. For example, the size of the market could matter to the banking industry and therefore may not be deterred by the cost of labour.

5.2.3 Economic growth and economic stability

A country's economic growth and the stability of the economy are other factors believed to have a positive relationship with FDI inflows. Theorists such as Dunning (1993) argue that investors, particularly market-seekers prefer to go where they anticipate that the economy will continue to grow as large domestic markets generates economies of scale for their investments and a growing market improves the prospects of the market potential. Essentially, economies with a large market size and those with sustained growth or demonstrates growth potential, are expected to attract more FDI (Dunning, 1993). Theoretically, market growth and economic stability are FDI determinant associated with the location dimension of the OLI framework. Speaking from the FDI strategic logic perspective, it may be assumed that economic stability is one of the most robust FDI determinants in host countries because, whether seeking for efficiency or resources, all foreign investors could feel the same in terms of price, inflation or exchange rate fluctuations. This is understandable because FDI are influenced by profitability of their investments and these variables could jeopardize this goal. It is therefore reasonable to assume that a stable and a growing economy would assure economic advantages to investors in terms of returns to investments, enabled by factors such as stability in prices, economic growth and exchange rates. For example, Cleeve (2008) argues that when a country is stable economically and financially, benefits of that can manifest in the price stability measured in terms of inflation fluctuations, ability of the country to maintain full employment, equilibrium balance of payment, favourable banks' liquidity ratio, all of which lures FDI.

To establish whether or not FDI is concerned about the economic growth or economic stability, researchers employ a number of measures such as GDP growth rate, industry production index, inflation rates, unemployment rates, exchange rates and interest rates, and national debt for instance

(Fell and Greenfield, 1983). Along that line, a number of researchers find economic growth and stability influential to FDI inflows. In Pakistan, Dar et al. (2004) explored both the causality and long-term effect of FDI on economic growth and concluded that economic growth, exchange rates, and unemployment discourages FDI inflows in Pakistan. Schneider and Frey (1985) exploring the factors determining FDI inflows in 80 less developing countries and discovered that, on the economic dimension, the higher the real per capita GNP the lower the balance of payment deficit, resulting in FDI inflows. Schneider and Frey (1985) argue that balance of payments is the most appropriate measure of national debt which denotes economic instability. They also argue that national debt increases the financial risks to foreign investors who may be stopped from repatriating profits to their home countries.

Regarding the impact of growth on FDI flows, literature demonstrates that a growing economy or that with sustainable growth prospects is positively associated with attracting FDI. According to Sichei and Kinyondo (2012: p 88) a large and growing domestic market ensures the Multinational Company of a market for its produce and provides scale for economies. Sichei and Kinyondo (2012) also argue that countries with stable macroeconomic environment tend to attract FDI compared to countries with volatile macroeconomic conditions because of the less assumed financial risks in stable countries than in unstable countries. In their study on the drivers of FDI into African countries, Sichei and Kinyondo (2012) conclude that economic growth is significant for the attraction of FDI.

More statistical evidence of the positive relationship between FDI and economic growth and stability is provided in terms of selected variables. For example, the effect of inflation volatility on FDI attraction is provided by Onyeiwu and Shrestha (2004) who in their model to test FDI limitations in African countries finds a strong positive significant effect of economic stability with inflation as an indicator. But such claims are challenged by researchers such as Demirhan and Masca (2008) who also surveyed determinants of FDI in developing countries and found no statistical significance of inflation on FDI. A close look at the two papers reveals some interesting discrepancies. For example, Onyeiwu and Shrestha (2004) specify their scope in terms of the countries involved whilst Demirhan and Masca (2008) simply described their sample as developing countries. This could mean that there could be some disparities in sampling even though both researchers surveyed developing countries. Developing countries may have numerous other different factors affecting the flows of FDI depending on the regions. For example, developing countries in Africa may differ greatly with developing countries in Asia, in terms of other significant FDI factors and FDI motives, and this may have an influence on the results from the regions.

Although debates whether economic growth and stability encourage or discourages FDI, the argument that these two variables are important issues of FDI has been maintained since decades back, Scheneider and Frey (1985); Gastanaga et al (1998) and in recent years, Li and Liu (2005); Sichei and Kinyondo (2012) with overwhelming theoretical and empirical support.

5.2.4 Market size

The new trade theory, which encompasses the market size effect, only emerged in the early 1980s. Before this, it can be assumed that the location dimension of the OLI paradigm was the analytical framework for the market size. Since it emerged, several studies can be grouped under the new trade theory analytic framework, which, just like the OLI framework, endorses the knowledge of the location in terms of size of the market and transaction costs.

To begin with, the size of the market explains the economic status and condition of the country (Sichei and Kinyondo, 2012). Dunning (1980) said market size is measured by observing the changes in Gross Domestic Product (GDP), GDP per capita, population growth and total exports. In the econometric models use to assess the impact of market size on FDI inflows, these are the explanatory variable that researchers often use apply. With regards to how market size is associated with FDI inflows, Agarwal (1980) believes that market size motivates FDI as it is indicative of the potential returns to investments. In other words, FDI postulates the profitability of their investments by calculating the number of potential clients for sales prediction and the subsequent potential demand for the output and services based on the population, resources that the firm may want to source, employment levels, and the greater purchasing power presumably, all of which are the minimum threshold requirements necessary for FDI (Dunning, 1993; Sichei and Kinyondo, 2012). Along that line of thought, Dunning (1980) had earlier proposed that countries with a larger market size and a fast growing economy attracts market seekers for example, and as Agarwal (1980) states, a large market appeals more to foreign investors because the probability of benefiting from efficient utilisation of resources is higher. It is in the view of these sorts of suppositions that market size could be the reason why China for example, attracts significantly large FDI inflows.

The significance of market size and fast growing economy is supported by quite a number of scholars: Vijayakumar et al. (2010); Sridharan and Rao (2010) and Ranjan and Agrawal (2011) who all carried out empirical investigations on the FDI determinants in the BRIC community and provided evidence that market size is a key influential factor in those countries.

From the production point of view, Wang and Swain (1995); Moore (1993) and (Ranjan and Agrawal, 2011) claim that market size determines the choice of FDI location from the perception that the larger the market the lower the cost of production due to economies of scale and fixed operational costs. Many other researchers have also endorsed the significance of the size of the market to FDI attraction. Lemi and Asefa (2003); Yasin (2005); Dupasquier and Osakwe (2006); Fedderke and Romm (2006) find that market size is a long term factor affecting the flows of FDI in the various African countries they focused on. In 2011, Anyanwu also responded to a similar question "what determines FDI inflows to Africa"? (Anyanwu, 2011: p4). His results indicate a strong relationship between market size and FDI inflows.

Surprisingly, in the existing literature, the market size effect on FDI is largely dealt with in the studies focusing on the banking sector's FDI Impediments, where researchers have asserted that foreign banks seeking opportunities in foreign countries are concerned about the size of the financial market, the size of the banking sector, particularly in terms of the size of the foreign banks' pre-existing clients from its domestic market (Goldberg and Johnson, 1990; Fisher and Molyneux, 1996; Mutinelli and Piscitello, 2001). Yamori (1998) provides empirical evidence that extends the argument in respect of the effect of market size to FDI into banking industry. In view of the Japanese banks he studied, Yamori concludes that FDI in USA by Japanese banks is drawn by the Japanese FDI in the manufacturing sector of USA. Thus again, the magnitude of existing clients determines the flows on FDI into a country.

Summarily, the literature has revealed that a host country's market size can affect FDI flows, with some authors pointing out explicitly, that market size attracts FDI who anticipate profitability judging from a potential clientele base. Interestingly, the hypothesis seems to be well-supported in studies involving foreign banks, who anticipate that the larger the number of people or FDI from their home countries, the larger their scope of market.

5.2.5 Natural resources

Theoretically, it is widely maintained that countries endowed with abundant natural resources give them natural and comparative advantages over other countries, and therefore are believed to attract resource-seeking FDI (Dunning 1980, Sichei and Kinyondo, 2012) but literature does not confirm whether this is the case or not, as there is no consensus either, regarding attraction on natural resources to FDI. Conceptually, according to Dunning and Lundan (2008), MNC increase their competitive advantage if they invest in countries with the natural resources that would lower their real production cost than in their home countries. Some African countries are gifted with natural resources such as oil, natural gas and minerals, which Multinational Corporations seek. This hypothesis has been supported empirically by several researchers who provided statistical evidence of FDI flows in search of the natural resources in Africa (Morisset, 2000; Asiedu, 2002, 2006; Mohamed and Sidiropoulos, 2010) and elsewhere (Loree and Guisinger, 1995; Deichmann et al. 2003; Sichei and Kinyondo, 2012). However, it has been argued that other factors such as the quality of infrastructure, government policy and political stability for example, will deter FDI seeking resources even though the country has them in abundance.

There is considerable evidence to suggest that abundance in natural resources is an FDI attraction in Africa (Morisset, 2000; Asiedu, 2002; Adams, 2009). Although researchers such as Mhlanga (2004) used a dummy variable to examine the effect of natural resources in the Southern Africa region and his findings were inconclusive, those like Onyeiwu and Shrestha (2004) positively identified natural resources as major FDI factors in Africa. However, the fact that even those gifted with abundant natural resources are thought to be performing below expectations (Asiedu, 2002) leaves the question why African countries gifted with abundant natural resources are not attracting FDI unanswered.

In detail, Sichei and Kinyondo (2012) also used panel data and a dynamic panel data model to examine the African FDI investment environment in 45 countries over the period 1980-2009. One factor distinguishes their study from most of the studies on FDI determinants. They positively identified the agglomeration economies as key to FDI flows to African countries. Thus, the rise of FDI can be a result of the presence of other FDI in the country. It is assumed that when FDI locates close to each other, they can benefit each other. The assumption rests on the fact that new FDI would learn about the host country's environment from existing FDI, plus the presence of other foreign investors signal that the investment conditions are favourable (Sichei and Kinyondo, 2012).

Similarly, Mohamed and Sidiropoulos (2010) analysed the main determinants of FDI in 36 countries, 12 of which were countries in the Middle East and North Africa (MENA) region and 24 were the major recipients of FDI in other developing regions. The authors employed a panel data methodology to investigate whether the factors of FDI in the MEMA are similar to the other FDI receiving developing countries. Findings demonstrated that the key issues of FDI inflows in MENA countries are the size of the host economy, the government size, natural resources and the institutional variables.

Mohamed and Sidiropoulos (2010) study is similar to the one carried out by Asiedu (2006) who also employed panel data for 22 countries over the period 1984–2000 to assess the impact of natural resources, market size, government policies, political instability and the quality of the host country's institutions on FDI and concludes that that the major FDI promoters in those countries are the natural resources and large markets promote FDI.

Generally speaking, it can be concluded that FDI, particularly those seeking natural resources, would be attracted to invest physically in countries that have them. It makes sense economically, especially if the resources are bulky and would cost more to transport, or they are accessed comparatively cheaper than in their home country. Judging from the FDI inflow patterns in Africa, it is difficult to rule out that natural resources are a robust FDI determinant in Africa. For instance, although the share of Africa's FDI is low, the few that come in are concentrated in those countries that have abundant natural resources such as South Africa, Angola and Nigeria (UNCTAD, 2009).

As for the inconsistencies observed in findings on natural resource variable, this could be caused by the differences in the nature of the natural resources that the countries possess. For example, the MENA region is endowed mainly with oil, whilst the Southern Africa region is endowed with both fuel and mineral ores. Summarily however, despite the differences in the proxies that the researchers use in their econometric models, it looks like attracting FDI in Africa depends on numerous other FDI factors, although natural resources are significant to the resource-seeking FDI. Other African countries are believed to attract FDI if they improve their business environments (Asiedu, 2002), an assertion that was supported by Onyeiwu and Shrestha (2004) who, like Mohamed and Sidiropoulos (2010) and Nnadozie and Njuguna (2011) believe that other factors catalogued in this review, have influence on Africa's FDI attractiveness and that whether small or lacking natural resources, African countries can attract FDI if they improve their institutions and policy environment.

5.2.6 Exchange and inflation rate factors

The other common determinant of FDI in the literature is the effect of exchange rates in the host country. According to Blonigen (1997) a country's exchange rate stability is measured by recording and observing a country's inflation rate and levels over a specific period of time (see his paper for explicit descriptions on how exchange rate level may affect inward FDI for a host country. Froot and Stein (1991) were the first authors to refute the hypothesis that exchange rates have nothing to do with FDI attractions. They argue that an appreciation of the currency may lead to an increase in firm's wealth which they believe "provides the firm with greater low-cost funds to invest relative to the counterpart firms in the foreign country that experience the devaluation of their currency" Froot and Stein, 1991: cited in Blonigen, 2005:p 387).

After the Froot and Stein (1991) empirical investigation into the effect of exchange rate on FDI, numerous researchers have since confirmed the impact: Lim (2001), Razafimahefa and Hamori (2005), Onyeiwu and Shrestha (2004) and recently, Ranjan and Agrawal (2011). Klein and Rosengren (1994) claim that USA FDI came from countries that were experiencing currency appreciation in their countries whilst USA was experiencing currency devaluation.

Klein and Rosengren (1994) claims were later supported by Blonigen (1997) who also studied FDI into USA by Japanese firms. Using industry level data on Japanese FDI into USA, Blonigen concluded that

USA FDI by Japanese firms increased because of the US dollar depreciation relative to the Japanese Yen. The type of FDI is thought to be of significance in the exchange rate effect hypothesis. Thus, according to Blonigen (1997) when a country's currency depreciates, it means its assets are cheaper relative to those in countries that are experience currency appreciation. As a result, the latter may see a rise in FDI in the form of acquisitions from countries whose currency appreciated.

Summarily, although most previous works relates to USA FDI (Blonigen, 1997; Klein and Rosengren, 1994; Stevens (1998) and Lipsey (2001) for instance, literature has concurred a fair amount on how exactly the changes in exchange rates can determine FDI inflows. It sounds logical that when a host country's currency depreciates, it makes its assets cheaper relative to those in countries where currency gained value, hence the possible rise in FDI in the form of acquisitions for example. On one hand, it seems reasonable to conclude that exchange rate effect can affect FDI regardless of the region, because the macro-economic factors that contribute to exchange rate fluctuations are the same regardless host countries' geographical location, although it could be said that the exchange rate itself can be influenced by numerous other aspects specific to a host country, for example, factors of the political and social spheres other than just economic factors. On the other hand however, the fact that the effect of exchange rate on FDI flows has been limited to developed countries only reveals a gap in knowledge that deserves more attention in the context of developing countries.

5.2.7 Trade liberalisation/openness

Trade liberalisation is regarded as a very significant FDI determinant. Sichei and Kinyondo (2012) explain that, "trade openness as the degree of liberalisation of trade regime of the host country". Regarding trade liberalisation effect on FDI inflows, the theory of trade and investments, which assumes that free trade enhances global trade by facilitating easy ways of doing business, seems to form the basis of the relationship between FDI inflows and trade liberalisation.

A close look at the FDI determinants literature shows some consistency in findings, in which researchers, one way or the other, find a positive link between FDI and trade liberalisation (Morisset, 2000; Asiedu, 2002, Naude and Krugell, 2003). To a greater extent, literature on the factors supporting or hindering FDI maintains that many African countries opened up for trade in order to attract FDI (Morisset, 2000; Asiedu, 2002; Onyeiwu and Shrestha, 2004). In fact, many claim that African governments adopted trade policies and practices in a bid to attract FDI (Morisset, 2000). In South Africa, evidence linking FDI to trade openness can be seen in the eras when South Africa received very minimal FDI inflows during the apartheid era, which is put down to the trade restrictions on South Africa during that period, but FDI levels have been improving post-apartheid (Rusike, 2008; UNCTAD, 2008, 2010). To explain the concept, openness to trade is measured by a country's integration into global trade activities and agreements, followed by adherence to rules and regulations that bind together global traders. By integration into the global communities, countries agree to trading terms and policies that encourage free trade between nations. For example, South Africa is a member of very many regional trade organisations such as Non Aligned Movement (NAM), Southern African Development Community (SADC), Organisation of African Unity (OAU) and international trade blocs such as World Trade Organisation (WTO), International Chamber of Commerce (ICC) World Intellectual Property Organisation (WIPO), United Nations Conference on Trade and Development (UNCTAD), the World Federation of Trade Unions (WFTU).

Besides the studies such as Asiedu (2002) and Morisset (2000) that identified trade liberalisation as significant to FDI attraction, several other studies confirms the hypothesis (Rolfe et. al., 1993; Onyeiwu and Shrestha, 2004; Ranjan and Agrawal, 2011). For instance, in a study carried out on 12 Southern African Development Community (SADC) to identify the obstacles of FDI in this region, Lederman et al. (2013) confirms that trade openness enhances FDI flows into a host country as foreign firms are responsive to trade policies.

Another recent study, Jadhav (2012), explores the role of institutional and political factors in attracting foreign direct investment (FDI) in the economies of Brazil, Russia, India, China, and South Africa (BRICS) and the comparative importance of these factors in attracting FDI. The study uses panel data for a period 2000–2010 in order to examine the significant factors of FDI in BRICS from a holistic approach. The overall results of this study show that two factors, namely Government Effectiveness and Regulatory Quality, are positively related to FDI inflow in BRICS whilst Political Stability, Voice and Accountability, and Control of Corruption were found to have a negative impact on FDI inflow in BRICS economies.

It is however perplexing to note that a survey done outside of Africa but involving an African country finds that political stability has no negative impact on FDI, whilst studies involving the same African country in context of Africa finds that political stability deters FDI in that country. Examples of such studies includes the one by Jadhav (2012) cited above, who concludes that political stability is irrelevant in the BRICS, whilst studies incorporating South Africa (Asiedu, 2006; Bartels et al., 2009; Sichei and Kinyondo, 2012; Cleeve, 2008) and those based on South Africa (Tuomi, 2011); (Fedderke and Luiz, 2008) finds or suggests a positive relationship.

Again, if we look at the FDI performance of the BRICS, South Africa's performance is comparatively less than other countries. A possible explanation to this conundrum could be the different political investment climates each of them presents to investors and the proxies used by the researcher. For instance, if we look closely at the investment climates of the BRICS economies, we can note a few dissimilarities, which possibly makes these economies different and perhaps explain why others attract more investors than others. Huang and Tang (2012) notes that the countries in the BRICS community (South Africa included), are characterised by very different political and economic backgrounds, which cannot be overlooked when considering what underpins their economic agendas and policies. China is believed to have pursued a more robust and proactive policy towards FDI attraction and retention than its counterparts and India is also said to have undertaken comprehensive domestic reforms (Huang and Tang, 2012) although it also undertook comprehensive liberalisation of the economy. As for South Africa, the country is thought to have numerous underlying challenges emanating from its liberalisation approach, particularly given its historical socio-economic inequality which some researchers believe retards its ability to attract FDI (Wocke and Sing, 2013). Another possible explanation could be the methodological approaches researchers use in assessing the BRICS could mean that researchers apply pre-fixed variables, which could result in countries being measured and judged from results, obtained using the same yardstick even though they are different.

What this implies is that strategies for improving FDI recommended for BRICS may not be appropriate: the problem with such policy generalisation lies in the fact that these countries are different, and as Asiedu (2002) argues, thus, the factors impeding FDI are diverse and some very specific to countries, therefore they should be assessed separately, and policy strategies should be formulated with African background and history in mind (Asiedu, 2002).

5.3 Political challenges and risks influencing FDI flows

This study seeks to identify and understand better, the political investment climate challenges facing current investors in the banking sector of South Africa, knowledge of which is useful to inform policy in order to enhance banking sector investment climate for foreign firms in South Africa and other similar economies. The preceding sections have discussed current knowledge on the factors promoting or discouraging the flows of FDI in general. Similarly, this section pays special attention to the study's focal point, the political investment climate, and reviews the current perceptions about the role of political factors on investments and their effects on FDI inflows, as well as the analytical frameworks that previous researchers have used to examine and explain the politically related risks and challenges to foreign investors.

By paying special attention to literature on the perceptions about the political factors that hinders the attraction and growth of FDI, the study aims to conceive clearly, the conceptual frameworks of the political challenges to foreign investments, which is the focal point of the study.

Firstly, in respect of theoretical classification of political challenges to international business, literature on the political factors is strewn everywhere and researchers tend not to demonstrate explicitly, the analytical framework adopted for their studies. Two simple reasons appear to be behind the researchers' standpoint in studying the political investment climate: one, it appears as if some researchers, particularly those that use hard data and predetermined variables, juxtapose different frameworks, depending on the objectives of their research, in order to incorporate a variety of variables in their econometric models. The other reasons seem to be emanating from the fact that there are two perspectives from which researchers try to study the political factors affecting FDI. For example, some study the phenomena from the government perspective, thus, looking at how the host governments can impede FDI inflows through interventions into the operations of FDI. This line of inquiry often assesses the impact of government imposed trade restrictions and other constraints inflicted because the government wants to achieve other social and economic aspirations (Simon, 1984; Desta, 2014). On the other hand, some researchers pursue the political factors that are in line with instabilities in the national environment (Simon, 1984) which may be external to government aspirations, but challenges driven by perhaps the socio-economic and socio-political forces. This sort of approach, makes it difficult to identify which analytical frameworks the political factors are best explained. Before the emergence of the new trade theory, the Ownership, Location and Internalisation (OLI) paradigm's (L) dimension (1977) was probably the most appropriate dimension under which to examine the political factors as they are locational factors. However the emergence of the new trade theory early 1980s could mean that political factors began to be analysed under the barriers to entry framework dimension, which is concerned about the government involvement in the regulation of economic activity.

Meanwhile today, the development and advancement of the institutional approaches (1978) could also mean that researchers could be analysing political factors from the institutional perspective. However, the choice on which analytical framework to locate the study remains entirely up to the researchers. In deductive research, as common with most existing works on FDI determining factors, the research hypotheses and research questions are the ones that often lead researchers to decide on which explanatory variable to compute or include in their studies; unlike in inductive research where explanations have to be derived from empirical data. Basically, in inductive approaches, the analytical frameworks are distinguished by the explanatory variable under each theme.

The Institutional approach for example, is based on the assumption that the quality of government institutions is significant in controlling the corruption, democracy and the accountability of government (Loree and Guisinger, 1995). This assumption could mean that, by ensuring control of corruption, democracy and government accountability, institutions will minimise the chances of abuse of public goods, thereby minimising chances of civil unrest, here regarded as a source of political instability, which in turn, is perceived as a significant determinant of FDI.

In a nutshell, the current body of literature related to political factors, challenges and obstacles, is a mixed bag of hypotheses that are closely interlinked, drawn from a mixed bag of analytical frameworks that researchers choose to employ in their studies. As a result, it is difficult to analyse and decipher current theories according to one particular theoretical framework. Therefore, discussions here are in accordance with similarities of findings in existing literature, rather than by analytical frameworks. For instance literature on institutional quality is grossly documented in the literature covering the broader governance as well as under the phenomenon of corruption, as deterrents of FDI (Wei, 2000). Also, many researchers have used variables or measures such as corruption perceptions on the effectiveness, efficiency, an transparency of government institutions to determine the strength of legal and regulatory frameworks, or assess the level of extra costs of doing business (Wei, 2000; Busse and Heffeker, 2005; Benassy-Quere, Coupet and Mayer, 2007; Dutta and Roy, 2011; Barthel et. al, 2011).

There are various sources of political constraints identified in literature. Thus political factors affecting FDI are however studied from different standpoints depending on researchers' focus of attention and the analytical framework chosen for the purpose. As demonstrated in the following sections, some researchers prefer to focus on a single or a few aspects of the political investment climate rather than sweeping through the entire analytical framework. For the sake of organising ideas, and in recognition that some researchers prefer to study the political factors from different angles, it was found necessary to separate literature according to how the available literature is structured.

5.3.1 The quality of government institutions

Literature suggests that the quality of a country's government institutions can be a source of political risks. By definition, North (1993) defined institutions as the humanly devised and imposed constraints that shapes and structures human interactions. North (1993) further classified the constraints by saying that formal constraints entails those rules, laws and constitutions whilst informal constraints includes the human behaviours, self-imposed codes of conduct, norms and cultures that shapes human behaviours and ways of doing things. On the institutional approach framework, the proxies that are commonly used for measuring the relationship between FDI and the quality of government institutions are corruption index, the type of the regime, its duration in power, average political freedom, number and frequency of strikes, effectiveness of rule of law. The size of and quality of the government, for example, the public sector, which includes the central and local government, and those public owned corporations, are also some of the measures used to evaluate the quality of government institution (Faeth, 2009).

Numerous authors find the quality of institution and investment regulation significant to creating enabling FDI climate: Bende-Nabende (2002); Asiedu (2002, 2006); Dupasquier and Osakwe (2006); Fedderke and Romm (2006). In respect of FDI operations, the quality of institutions is believed to be an important determinant of FDI in less-developed and developing countries because poorly managed institutions increase the cost of doing business (Wei, 2000) and foreign investors tend to avoid locations that are susceptible to extra costs of operations (Wei, 2000; Blonigen, 1997) the costs of which are supposedly facilitated by the widespread incidence of institutional corruption according to Wei (2000); Habib and Zurawicki (2002). Blonigen (1997:p390) shares an interesting point of view, which clearly explains how poorly managed institutions can impede FDI attractiveness of a country. He writes, "Poor legal protection of assets increases the chances of expropriation of foreign firms' assets making investment less likely".

Quite a number of studies claim that government institutions can have an effect on FDI inflows in host countries (Gilmore et al., 2003; Naude and Krugell, 2003, 2007; Bénassy-Quéré et al., 2007; Ismail, 2009) but apparently, their claims are based on the perspective from which their studies analysed the institutional challenges to FDI. For example, in a study by Naude and Krugell (2003, 2007) a cross-country econometric approach, in which panel data were used to establish the determinants of FDI in Africa, the findings of this study indicates that government consumption, inflation rate and governance in terms of institutional effect as well as political stability as robust FDI aspects in the studied locations. In their view, Naude and Krugell (2007) conclude that, despite the motivations of FDI in various countries, and despite the policy instruments adopted being significant in those locations; the importance of good policies made and managed by efficient and effective institutions should not be underestimated in FDI flows into Africa.

From governance perspective, the efficiency and effectiveness of government institutions is believed to be pivotal to a country's practices regarding fundamental institutional roles and duties linked to the maintenance of rule of law, protection of property rights, implementation of contracts and contractual rights (Dupasquier and Osakwe, 2006; Anyanwu, 2011, 2012; Ali et al., 2010). In South Africa for example, the protection of property rights is believed to be critical to FDI inflows (Fedderke and Romm, 2006).

It was interesting to find that the impact of institutions on FDI inflows can differ per industry level. When Ali et al (2010) investigated the effect of institutions on FDI inflows in 69 countries; they found that the effect of institutions was different per industry level. They found that institutional quality was more significant to FDI in the manufacturing sector and service sector than in the primary sector. There could be several explanations underpinning such variations. One likely reason could be the differences in service demands, contracts and regulations imposed on the different industrial sectors.

Another proxy for measuring the quality of institutions that literature revealed is corruption. Wei (2000) and academic researchers such as Bénassy-Quéré et al. (2007) argue that corruption impedes economic prosperity of a host country because it deters FDI. Corruption is believed to deter FDI from various perspectives. For instance, it is thought that some foreign investors believe that corruption is morally wrong whilst others believe it can increase operational costs (Habib and Zurawicki, 2002). Earlier, Wei (2000) and Habib and Zurawicki (2002) argue that poor institutions, in particular, corruption, can bring additional costs to FDI.

Gastanaga et al (1998), who analysed the link between political variables and FDI inflows, discovered that countries with higher corruption and nationalisation risk or have unclear contract enforcement processes, attract lower FDI inflows. Wei (2000) used various governance principles to study the effect of corruption on foreign direct investment in 45 host countries and showed that corruption discourages FDI because it is capable of increasing the costs of doing business. Specifically, Wei (2000) showed that corruption instigates a rise in the tax rate or the corruption level in a host country and reduces inward foreign direct investment (FDI) because of fear of additional cost of doing business.

Likewise, Busse and Hefeker (2007) also find a positive empirical relationship between FDI and corruption. They explored the linkages among political risk, institutions, and foreign direct investment inflows using data sampled from 83 developing countries period 1984 - 2003. They also identified corruption, law and order, democratic accountability of government, and quality of bureaucracy as highly significant factors of FDI inflows.

Asiedu (2002) states that institutional quality is significant to FDI attraction, arguing that lowering the levels of corruption and improving the quality of institutions and policy environment, small countries with fewer or lack natural resources can also attract FDI. This was supported by Mohamed and Sidiropolous (2012) who studied the key determinants of FDI inflows in MENA countries and find that the size of the government and the institutional variables are significant FDI determinants in the MENA countries. Similar to Asiedu (2002) the authors believe that countries that are receiving fewer foreign investments could make themselves more attractive to potential foreign investors if they build appropriate institutions to support FDI.

Bénassy-Quéré, Coupet and Mayer (2007) re-evaluated the role of the quality of institutions in host countries. They estimated a gravity equation for bilateral FDI stocks that includes governance indicators. They tackle multicollinearity and endogeneity bias by implementing a three-stage procedure for instrumentation and orthogonalisation. They then looked further into the detail of institutions by using a new database constructed by the French Ministry of Finance network based on 52 developing countries. The database was used to point out in some detail the relevant institutional features. The study provides very helpful insights for studying the impact of the institutional environment of the host country, although it does not allow deeper insights into the impact of the institutional environment in the source country as well as into the impact of institutional distance. Bénassy-Quéré, Coupet and Mayer (2007) concluded that raising the quality of institutions and making them converge towards those of source countries may help developing countries to receive more FDI, and that institutions are significantly important FDI determinants independently of factors such as higher GDP per capita.

To understand better the impact of institutional inefficiency on the patterns of FDI and domestic investment Aizenman and Spiegel (2006) modelled and tested the implications of institutional efficiency on the pattern of FDI. They assumed that domestic agents have a comparative advantage over foreign agents in overcoming some of the obstacles associated with corruption and weak institutions for example. They believed that under these circumstances, FDI is more sensitive to increases in enforcement costs necessitated by corruption. To test their hypothesis, the researchers compared institutional efficiency levels for a large cross-section of countries in 1989 to subsequent FDI flows through the period of 1990–99 and found out that institutional efficiency is positively associated with the ratio of subsequent foreign direct investment flows to both gross fixed capital formation and to private investment. The results from this empirical investigation demonstrated a robust negative relationship between the level of corruption and the ratio of FDI flows to domestic investment flows, leading the authors to conclude that the ratio of multinational investment to domestic investment would be decreasing in the presence of institutional inefficiency.

In the same vein, after investigating the role of institutional factors on the inflow of FDI to Sub-Sahara African countries, Cleeve (2008) wrote that institutional credibility is significant to FDI attractiveness of a country.

In view of the Association of South-East Asian Nations (ASEAN) that Ismail (2009) studied, findings of an econometric survey using a semi-gravity model and involving 18 countries also support the claims that government institutions plays a significant role in the FDI inflow attraction in the region. The findings reveal that non-economic factors such as transparency and trade policy managed by effective and efficient institutions have a bearing on the FDI inflows in the ASEAN community.

However, just like various other FDI issues in host countries, some proxies for measuring FDI are put to question when some researchers finds no significant relationship with FDI. For example, there is no unanimity among the studies that have used corruption to explore the quality of institutions in various locations. There are some writers who argue that some foreign investors will not be deterred by corruption although this assumption is widely contested. For instance, corruption is believed to encourage FDI. Kim (2014) and Egger and Winner (2005) believe corruption can actually enhance FDI inflows into a country, especially in countries that have tight regulations and government interventions.

When Cuervo-Cazurra (2006) examines the impact of corruption on FDI, he presents a very interesting argument. The writer argues that corruption results in a reduction in FDI as well as in a change in the composition of where FDI actually comes from. This argument was based on the finding that corruption results in relatively lower FDI from countries bound by the Organization for Economic Cooperation and Development Convention agreements on Combating Bribery of Foreign Public Officials in International Business Transactions (p 807). In other words, the findings suggests that whilst corruption laws deters companies from engaging in corrupt transactions, it is also believed that countries commonly associated with corruption would experience FDI deficiencies, particularly because companies from countries with strong anticorruption values and laws will avoid them. In that view, Hines (1995) cited in Blonigen (1997) provides evidence that in the wake of the U.S. Foreign Corrupt Practices Act of 1977, USA investors seeking foreign opportunities avoids corrupt host countries. But as pointed out earlier, Cuervo-Cazurra (2006) argues that corruption can result in relatively higher FDI from countries with high levels of corruption because investors who would have experienced corruption in their home countries may see corrupt countries as an opportunity and may not be discouraged by corruption in foreign countries. This view could be logical, particularly so because it is difficult to measure whether everyone would respect calls to the anti-corruption campaigns since corruption can easily be concealed if parties involved are benefiting from it. This probably explains why literature holds no agreement on whether or not corruption discourages FDI.

5.3.2 Governance and Corruption

Literature also demonstrates that governance issues and corruption constitutes sources of political restraints that international businesses encounter in foreign business locations. A visit to the literature on the corruption and governance was necessary in order to define these two closely related concepts. Corruption is the abuse of public office for private benefit, according to Tanzi (1998): and the gains vary in scope and depth. The corruption issue is ubiquitously mentioned in this study, and the phenomenon in general is also a widely debated topic under multiple perspectives within the political investment climate. Corruption is believed to dent investors' confidence (Wei, 2000), particularly when it weakens the legal system or impinges on the regulatory framework by allowing the persons in authority to impose personal codes of conduct, behaviours or norms for individual gains (North, 1996). According to Globerman and Shapiro (2003); Globerman et. al., (2006) sound, credible and robust legal systems are significant FDI concerns for the attraction of FDI. The authors insist that investors prefer host countries that are reputed for stable legal system denoted by robust and quality governance, to be able to anchor their investments confidently. Asiedu (2002, 2006); Busse and Heffeker (2005); Dupasquier and

Osakwe (2006) all argue that weak legal framework repels FDI from Africa. This assertion seem to affirm (Fedderke and Romm, 2006) findings in which they conclude that South Africa's judiciary has been critical in protecting private property rights, which explains the rise in FDI just past apartheid.

Its alleged close relative on the other hand, is defined under the broad governance concept, which, according to Alam et. al., (2006) is a country's general structure of governance, which entails all the institutions that regulate interactions between citizens, businesses and government. A more business related definition is provided by Wei (2000) who described it as the management and control in the institutions that govern the interactions between the government and businesses in terms of institutional structures for regulations, service delivery or leadership capacity for example. Wei (2000) and Smarzynska and Wei (2000) further clarified good governance by stating that it involves measures for effectiveness, efficiency, responsibility, accountability in public offices. Generally speaking, corruption seems an inherent character of bad governance and bad governance an inherent character of corruption.

It is essential to mention that there are many features that make up the governance model and the dimension from which one is looking, determines which aspects of the framework one adopts. Features under consideration here include government efficiency and effectiveness, coined by Kaufmann, Kraay and Zoido-Lobatón (1999). This is because the consensus view is that investors in the banking sector of South Africa are being deprived of an effective and efficient support which they require in order to function productively and efficiently because of the bribe-demanding culture in public organisations. Kaufmann, Kraay and Zoido-Lobatón (1999) government effectiveness dimension entails the competences of government departments and the quality of service delivery.

Also, the phenomenon of poor service delivery itself is widely reflected within the governance paradigm in general. Most recently, although from a public rather than business standpoint, Alexander (2010) exposed the gross corruption in South Africa's government departments, which drove people to the streets, protesting about poor service delivery. A similar scenario was reported by Davis (2004) on circumstances in South Asia.

Africa's state of governance in general, has been debated for years (Early and Scott, 2010; Owoye and Bissessar, 2014). In 2003, Odhiambo-Mbai published a paper in which he summed up that bad governance is contributing immensely to poor service delivery in Africa. Concerns over accountability in government departments in countries such as Malawi, Zimbabwe, Ghana and others, have been highlighted by Owoye and Bissessar (2014).

Essentially, these researchers draw our attention to the hypotheses that poor service delivery has its roots in bad governance. Also, in most, if not all of these reports, it is apparent that bad governance and corruption are intimately intertwined, since corrupt officials would not like strong institutions, hence all the inefficiencies that we see associated with corrupt governments.

With regards to the presumed relationship between bad governance, corruption and poor service delivery in this study, bad governance enables corrupt government officials to amass personal fortunes (Alam et. al., 2006). The International Monetary Fund (IMF) puts forward the view that good governance practices are the only solution to fighting corruption. They reckon that if corruption is eliminated or reduced, inefficiencies and ineffectiveness amongst many other characteristics of bad governance will also be curbed.

In theory, those who have done extensive research on the role or importance of good governance in government institutions conclude that poor service delivery is usually due to inappropriate behaviour of government officials (Weiss, 2000; Rotberg, 2014), especially the inducement of bribes from customers who are made desperate by deliberate inefficiencies.

5.3.3 Socio-economic factors' effects on the political investment climate

Another significant factor to emerge as a driver of political instability in literature is the broad socio-economic challenges aspect.

In the business context however, socio-economic challenges could reasonably entail those problems that affect humans in a country. These sorts of problems have negative impact on the populace's ability to participate in economic activities and the effect boomerangs directly and indirectly to the whole society, government, businesses and all the citizens. Essentially, it means that the economy does not benefit from individuals disempowered by socio-economic burdens (Daniels et al., 2015).

Available literature ascribes socio-economic challenges such as poverty, which then can trigger civil unrest and crime as the main FDI challenge (Tarzi, 2005; Busse and Heffeker, 2007; Jensen, 2008). Some of these writers posit that socio-economic challenges are responsible for political and economic instabilities triggered by violence such as civil strikes, riots, rebellion. Busse and Heffeker (2005) and Jensen (2008) believe that socio-economic challenges may force governments to consider policy changes that can affect investors. For instance, the authors thought that nationalisation and expropriation of foreign assets may be necessitated by civil uprisings, which themselves, could be a result of socio-economic challenges such as poverty and unemployment.

Theories in the FDI literature holds that poverty and unemployment diminishes the size of the market, which as literature above attests, is a key FDI determinant in the banking sector for example. Market size and its growth prospects signify better opportunity of scale in the light of customer base.

Profitability, according to the early theorists Hymer (1960) and Caves (1971) is a critical indicator of investment growth in a foreign country, hence a motivation for FDI in the first place. In fact, Hymer (1960) posited that investors facing lack of market share in their home countries seek to increase their market share outside by taking advantage of the gaps in demand and supply in foreign countries. Literature demonstrates that investors in the banking sector are a typical example of foreign investors who explore foreign markets for market size and market share as market seekers (Dunning, 1993). Although literature on the determinants of FDI in Africa and South Africa is silent on the relationship between FDI and market size in relation to how poverty and income inequality hinders profitability (due to its impact on the actual size of the market) this finding confirms claims in literature, which suggests investors exploring the foreign bank markets are attracted to countries with a bigger market size in terms of income levels. For example, in countries such as the USA Goldberg and Saunders (1981); Nigh et al. (1986); Goldberg and Johnson (1990); Grosse and Goldberg (1991) found out that American banks seeking foreign opportunities are attracted to countries that have a bigger market in terms of potential clients and income levels. Taking on from this point of view, South Africa currently has a population just above 51 million but it is believed that more than 31% is below the poverty datum line according to Statistics South Africa (2013). This means close to a third of the whole population is not financially sound to be able to sustain a healthy business cycle banks require. A logical inference from this finding is that because of poverty many people have little or no disposable income to spend or save, and yet the banking industry relies on the difference between spending and saving. Furthermore, the population is large in our eyes, but in terms of encouraging or attracting investors, whose focus is obviously on how income is distributed in the host country, the actual market is perceived to be discouraging.

On the other hand, the link between unemployment and investors is not quite clear in literature, but in what seems to highlight the impact of unemployment to market demand, Arndt and Lewis (2001) and Kingdon and Knight (2007) link unemployment levels to small market size, which reduces total national demand, which in the end results in lack of economic growth. Although evidence is limited as just mentioned, the relationship among unemployment, national demand and economic growth can be based on the common-sense that businesses depend on the total disposable income available in the economy. This is because the more people are in employment, the more disposable income circulating in the economic system, banks in this respect.

From the FDI perspective, lack of economic growth is hypothesised to discourage FDI inflows. In support of this hypothesis, Kingdon and Knight (2007) states that a country lacking economic growth struggles to incentivise investors, especially those seeking market opportunities (Dunning, 1993). According to the classical comparative advantage theory by Ricardo, 1772 – 1823, cited in Campos and Kinoshita (2003), investors use profitability projections based on potential location to decide where to invest. Thus, market seekers will only locate their businesses in nations whose economies and markets are fast growing, an assumption widely accepted with regards to emerging markets.

In the face of socio-economic pressure from unhappy civilians faced with abject poverty and growing unemployment, domestic instability and uprisings can deter FDI inflows (Busse and Heffeker, 2005). Haftel (2006b) argues that, faced with the challenge of domestic instability and uprisings, governments can agree to implement nationalisation policies in order to alleviate socio-economic challenges. Busse and Heffeker (2007) and Jensen (2008) have, on separate occasions, concurred that political violence or anticipation that political violence may occur discourages investors because of the anticipated systemic political risks such as changes in government policy orientations that may lead to nationalisation of foreign investments or even catastrophic political risks such as destruction of business assets, which all hurt investors' profitability (Daniels et. al, 2014). It is also argued that the anticipation that a country is prone to political instability deters long-term commitment by FDI, fearing financial risks (Tarzi, 2005) due to reduced productivity, diminished market or loss of assets and capital. These sort of socio-economic challenges have, over the past few decades, gained momentum in FDI literature. Fawzy (2012) alleges that political uprisings that the world witnessed in the MENA region were triggered by a host of socio-economic related disgruntlements leading to rebellion against a government. With regards to the MENA region, indicators of looming political instability were apparent in countries that have recently experienced civil unrest due to dissatisfactions arising from government and policy continuity. Popular examples of civil wars in 2011/12 include those of Egypt, Libya, Yemen and Tunisia. Many other countries have suffered political instabilities emanating from internal pressure groups pressing for change in political, social or economic situations and reports linking the same can be seen in these publications (Alesina and Perotti, 1996; Svensson, 1998; Abadie, (2004).

5.3.4 Summary of political factors on FDI

The association between FDI and political instability is widely recognised and explained in the existing literature. Sichei and Kinyondo (2012) and Moreira (2013) describe political instability as the occurrence and the frequency of civil disorders such as riots, demonstrations, wars, and strikes for instance, which are seen as the economic destabilizers. In the opinion of Moreira (2010) all kinds of events such as anti-government demonstrations, assassinations, cabinet changes, constitutional changes, coups, government crises, purges, revolutions, civil rebellions and riots denote political instability. From the FDI perspective, these events are often associated with macroeconomic instabilities such as currency crashes, hyper-inflation (Onyeiwu and Shrestham 2004), and government budget deficits (Schoeman *et* *al.* 2000) which could presents catastrophic financial risks to FDI. Some writers have explained political challenges as political risks to international businesses, which "exists when discontinuities occur in the business environment, are difficult to anticipate and when they result in political changes" Moreira (2013), (Robock, 1971) cited in Fitzpatrick (1983) and Clark (1997). Clark (1997) posit that, for events occurring in the business environment to constitute political challenges, the aspects and changes in the business environment should be potentially detrimental to the businesses' profit and other significant business goals.

Accordingly, quite a number of writers believe that political instability and challenges are brought about by various drivers such as competing political philosophies with regards to economic objectives for instance, nationalism versus capitalism, social unrest and disorder due to socio-economic challenges and rise in corruption (Robock, 1971, Clark, 1997; Busse and Hefeker, 2007) increases the levels of uncertainty about a government and its policy continuity (Moreira, 2006, 2013; Fedderke and Simkins, 2012). This is understandable because, according to Butler and Joaquin (1998) political risk is related to the risk that a sovereign host government will unexpectedly change "the rules of the game" under which businesses operate, of which, from Schneider and Frey (1985) perspective, change in the rules of the game could mean, to some extent, the financial risks such as restrictions on repatriation of foreign investments profits to home countries for example, as well as nationalisation and expropriation of foreign assets (Qian and Baek, 2011). Again, these politically associated challenges may cast a wave of uncertainty amongst investors, who may worry about their profitability goal in a country with a potential of political instability, as echoed by Krugell (2005); Jensen (2008) and Demirhan and Masca (2008).

As mentioned earlier, in the available bodies of literature, the relationship between political instability and FDI flows is highlighted in numerous studies, although, like many others studies on the determinants of FDI, there is no unanimity either, with its regards. For instance, Morisset (2000) studied the determinants of FDI in African contexts and finds out that although FDI can be attracted to countries with larger local markets and natural resources, FDI into Africa are largely determined by political challenges owing to the concerns about policy frameworks. To that cause, Morisset (2000) argue that, although investors eyeing Africa look at the potentiality of economic growth, or indeed other exogenous factors, the easiness of doing business in terms of government policy frameworks and political stability are salient factors investors look at before investing in African locations. To Morisset (2000) policy and reform frameworks are major determinant of FDI focusing on Africa, and African countries could succeed in attracting diverse FDI despite their size or natural resources for example, if they improve their business climate in terms of political investment climates.

Focusing on the SSA region, Asiedu (2002) did a multi-country survey involving 32 countries and used data of period 1988 - 1997 to explore whether factors affecting FDI in developing countries have a different effect on countries in SSA. Her findings show that although trade openness is widely accepted as a factor that promotes FDI inflows, it is not working positively in the context of Africa. In her other publication Asiedu (2006) used panel data for 22 countries in Sub-Sahara Africa over the period 1984-2000 to assess the impact of political risk, the institutional framework and government policy on FDI flows and also established that political stability and a good regulatory framework have a positive effect on FDI on the continent. In all her studies, Asiedu postulates that countries endowed with plentiful natural resources or have large markets will attract more market or resource seeking FDI if they spruce up their political investment climate. This assumption was previously predicted by Morisset (2000) who added that even small countries or those that lack natural resources can also attract FDI if factors such as political challenges improve.

In what looks like concurring with Morisset (2000), Asiedu (2002) emphasises the significance of improving the image of Africa's political climate through regional blocs such as the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS), which she believes would help augment FDI flows to the regions, for instance, by increasing the size of the markets, promoting political stability, as well as facilitating the improvement of the region's image to investors. The idea of enhancing Africa's FDI through image building was echoed by Dupasquier and Osakwe (2006) who, like other previous researchers, were concerned about the size of African FDI share and carried out an investigation on what is determining FDI inflows to African locations. Their aim was to identify possible actions or strategies that need to be adopted at the national, regional and international levels to enhance FDI flows to Africa. In the end, the two researchers recommended that African countries need to enhance the image of Africa by improving the political and macroeconomic stability, and promoting regional integration through regional blocs, similar to what Asiedu (2006) suggested.

Still in Africa, more studies show that political forces are positively and significantly related to FDI inflows. Rojid et al. (2009) analysed potential factors of FDI in 20 African countries period 1990-2005. In view of their findings, the researchers concluded that, whilst abundance of natural resources, openness to trade, the size of the domestic market and the stock of human capital are positive in attracting FDI, political instability discourages FDI in the African countries they studied. Likewise, Bartels et al. (2009) sampled and studied 15 SSA countries to find out the location decision and perceptions of FDI. The empirical evidence from their research shows that political economy factors such as government policy and stability strongly influences FDI location decision in SSA. Covering a period 1970-1990, Naude and

Krugell (2003) carried out a cross-country investigation on whether institutions and geography matters as determinants of FDI in Africa. The authors conclude that it is not geographical location that directly influences FDI flows to any region in Africa but political stability, which in their opinion on FDI inflow factors, buttresses economic policies.

Echoing views on the impact of political risks upon FDI to Africa, Solomon and Ruiz (2012) used time series data on African, Asian, and Latin American economies to investigate the role of political risk and macroeconomic uncertainty as bases of the patterns of FDI. They claim to place special attention on the differential impact of the variable on Africa due to its low share of FDI. Their results show that although political risk and uncertainty reduce FDI inflows in Latin America for instance, the impact of political risk is more severe for FDI flowing into African economies, which suggest that FDI decisions could be influenced negatively in view of African political environments.

Although research addressing the effects of political factors on FDI from African viewpoint tend to incorporate political instability as an explanatory variable, it was interesting to note that several studies outside of the African context have highlighted the importance of creating a stable political investment environment for the attraction of FDI using narrowed hypotheses, and thus focusing on a single political determinant factor to explore its effect on FDI inflows. Studies by Wei (2000), Janeba (2002), Busse (2003), Busse and Hefeker (2005, 2007), Sekkat and Veganzones-Varoudakis (2007) have all posited that political stability is important in attracting FDI but their approaches are different to those reviewed earlier. In an analysis by Harms and Ursprung (2002) they assumed that political repression boosts FDI and their findings indicated a negative relationship with FDI inflows, thereby concluding that FDI is sensitive to political repression in host countries. Rodrik (1996) and Busse (2003) investigated, on separate occasions, the influence of democracy on FDI inflows and concluded that democratic countries attract more FDI than undemocratic countries. In 2000, Wei (2000) employed the governance indicators to find out the impact of corruption on FDI and also concludes that political factors that closely link with corruption discourage FDI. Stasavage (2002) assessed how political instability influences FDI inflows using data set that measures a country's political system and established that long-term and permanent investments are deterred in politically unstable environments because of policy uncertainty and perceived risks.

However, whilst many previous studies discussed above have concurred that political factors deter FDI inflows in the vast majority of African countries, some researchers such as Wheeler and Mody (1992); Wang and Swain (1995); Jaspersen et al. (2000); Onyeiwu and Shrestha (2004); Brada, Kutan and Yigit (2006) have refuted the hypothesis and concludes that FDI is not sensitive to political instability, or the sensitivity depends on regions Pajunen (2008). But then again, as we can see from the studies reviewed here, the causes of the inconsistencies in literature are diverse and are owing to the analytical frameworks and explanatory variables or indicators of political instability that would have been included in the studies, and to some extent, the hypothesis that the researchers would have worked with. Also, in the countries where political instability is not FDI threatening, the explanation may be derived from the way the government reacts and deals with situations threatening political stability than is known in other countries.

5.4 Factors influencing the inflow of FDI in banking sectors

Reviewing the factors comprising the investment climate of FDI in the South African banking sector is difficult as literature on FDI into the banking sector is not available. South Africa's FDI into the banking sector soared in period 1994 - 1998 (Hawkins, 2006) resulting in 12 registered local branches of foreign banks and 41foreign banks with approved representative offices (Banking Association of South Africa). It is disturbing to note that such an important sector is not given any attention in terms of what attracted foreign investors during that period for example. Whilst the South African Reserve Bank (SARB) attributes the influx of investors, both foreign and local, to the technology, consolidation, democracy and legislation that the country adopted after apartheid, it appears there are no insights from the investors' perspective. In fact, literature on the determinants of FDI in the banking sector refers mostly to United State of America (USA) for example those by Goldberg and Saunders (1981); Nigh et al. (1986); Goldberg and Johnson (1990); Grosse and Goldberg (1991), a few are based on the United Kingdom (UK) for instance Fisher and Molyneux (1996); Italy Mutinelli and Piscitello (2001); Soussa (2003) and none, hitherto this study addresses the same phenomena in Africa. Therefore, in order to build a conceptual framework on the FDI investment climate factors determining FDI in the banking industry, the study considers world-views from these mentioned contexts, in order to show the important factors in FDI attraction. It is important to mention that, by focusing on the banking sector; this study bridges the research gap in the banking sector of South Africa, and encourages more sector-focused research in individual developing countries.

In Italy, Mutinelli and Piscitello (2001) surveyed the determinants of FDI growth by Italian bank into foreign countries using data from period 1989-1999. Empirical evidence from their econometric model, in which they used count data techniques, supports the Eclectic theory paradigm, particularly the location and ownership advantage factors, which they conclude are the determinants of Italian banks in foreign countries. The Ownership advantage, according to Dunning (1993) gives foreign banks the advantage that enables them to compete with domestic banks. Ideally, this means foreign banks prefer level playing fields to invest in foreign countries, despite the foreign or domestic bank statuses. An early paper by Cho (1986) postulated that foreign banks require a competitive advantage to be able to thrive in foreign locations and as such, Ownership certification is a significant determinant to banks seeking to invest in foreign countries. Specifically, Cho (1986) examined the growth of multinationalisation in the banking industry to determine the factors of FDI in different market conditions. In relation to location advantage, Mutinelli and Piscitello (2001) argue that the host nations' business environments, which are largely determined by the government policies, political risks, the client base of the foreign bank, are significantly relevant in FDI attraction.

Pertaining to research undertaken to establish what attracts USA banks in foreign countries, Goldberg and Johnson (1990) concludes that easy regulatory framework, large relative foreign trade, high population, greater per-capita income and the presence of banks domestic clients and fellow USA banks in the foreign country would attract USA in that foreign country.

In the UK, Fisher and Molyneux (1996) concludes that the size of the banking sector in London determines the presence of foreign banks, findings of which concurs with Goldberg and Saunders (1981), Grosse and Goldberg (1991) whose studies were based on the USA determinants of foreign bank presence in the USA. Goldberg and Saunders (1981) further stated that USA banks in the UK are drawn by the US trade with the UK, which means trade between host countries can be an FDI determinant for financial institutions seeking to expand globally.

As for the Japanese banks seeking to invest in foreign locations Yamori (1998) concludes that "FDI in the manufacturing industry is an important determinant of the location choice of Japanese financial institutions" (p.109-110) although Japanese banks are also attracted by the market size in the host countries.

Findings from the different studies show some similarities despite the differences in countries. For example, although Goldberg and Johnson (1990) looked at the USA banks' attractions in foreign locations, there findings were echoed in a study on Italian banks attractions in foreign locations. For example, Mutinelli and Piscitello (2001) also find that Italian banks are more likely to be attracted by the presence of home country clients in foreign location.

In summary, the previous studies on the determinants of FDI into banking industry are based mainly on developed countries, which to a large extent, have banking industries that are different from developing countries. In a nutshell, it should be noted that, although the findings discussed here found consistent evidence that the size of the banking sector, the presence of pre-existing home clients, the regulatory framework and others, factors that determine the FDI into Africa, and indeed South Africa, may paint a different picture because of the levels of economic growth, the sizes of banking industries and other economic sectors to mention but just a few. A related strand of literature based on a study conducted by Nigh et al. (1986) involving 30 developing and developed countries to find out the determinants of USA banks into those countries, concludes that USA banks do not lead in FDI but follow fellow USA business sectors in foreign countries. The study however, is not a direct observation of the African context and therefore gives little insights into the determinants specific to Africa or South Africa. In other words, evidence in literature is not very relevant in the context of developing countries, and does not seem sufficient enough to conclude that the same determinants apply to South Africa. Although this study bridges the gap in research, the phenomenon of FDI determinants into banking sector, as well as other economic sectors in the South African context is an area rich enough for further works.

5.5 Factors influencing FDI in South Africa

The challenges facing investors in South Africa are mentioned often in recent literature (Fedderke and Romm, 2006; Tuomi, 2011; Darley, 2012) with some researchers further highlighting the factors believed to influence the flows of FDI (Fedderke, 2002, 2012; Fedderke and Luiz, 2008; Fedderke and Simkins, 2012; Wocke and Sing, 2013).

The major findings are around policy issues: thus, to a larger extent, the researchers cited above agree that policy tensions, especially with regards to government regulations (Fedderke and Simkins, 2012, Tuomi, 2011; Wocke and Sing 2013; Darley, 2012) discourage FDI. Over the years, the growing body of literature seems to indicate that the business environment has some uncertainties that are discouraging to domestic and FDI. There are other macroeconomic factors that researchers underscore, for instance, Schoeman et al. (2000) studied how government policy affects FDI through the estimation of a long-run co-integration equation for FDI in South Africa, but at the helm of South Africa FDI deterrents remains policy issues.

Causes of concern emanating from policy issues that researchers seem to agree on include political and policy uncertainty, for example, Fedderke and Romm (2006), used panel analysis method to explore the manufacturing sector of South Africa and conclude that uncertainty is a significant determinant to investors. This was previously highlighted by Mariotti (2002) and Kularatne (2002) after establishing a positive relationship to support that uncertainty is an FDI determinant. Later, Fedderke and Luiz (2008) employ the modern theory of investment in a study to identify the importance of uncertainty to investment in South Africa. Their paper verifies that political instability measures are fundamental in the creation of enabling investment environment and in the formulation of the investment functionality for South Africa. They further establish distinctive institutional factors that are underlying to the uncertainty variable, which includes; private property rights and crime amongst many others.

The pervasive policy uncertainty due to socio-economic underdevelopment continues to be problematic and a cause of worry to investors (Fedderke and Luiz, 2008).

Tuomi (2011) uses micro-data and firm interviews to explore the role of foreign direct investment drivers in South Africa. Her overall findings indicate that pecuniary incentives play a negligible role in the investment decision for the majority of firms but FDI is sensitive to political and regulatory uncertainty. Tuomi (2011) also implied that institutional and political corruption seems to be hindering the effective implementation of government incentives.

On to the literature concerned about the political factors as FDI determinants in general, it has been established that FDI literature on political risks in the African contexts is mostly citing the economic policy and policy reforms as well as political violence, political instability and corruption (Moreira, 2013) similar to the insights drawn from South African literature. These two aspects of the political business environment seem to be areas of threat to foreign investors, particularly because of the political risk sources such as the persistent need to address socio-economic ills that characterise most of her countries, the rise of divergent political philosophies, which again, are likely to stir up political instability, as well as corruption and governance issues in government institutions. When political changes are likely to occur, investors fear that political risks are inevitable and may have significant impact on their investors in terms of profits and other goals.

5.6 Concepts for categorising the political challenges and risks

It is interesting to note that some researchers have gone an extra mile to define political factors by way of classification in trying to describe and explain the factors and challenges that investors face in international investment destinations. A number of authors have given their views and others developed frameworks that support and guide their assumptions on political risks, factors and challenges as elaborated on in this chapter (Simon, 1984; Gastanaga et al. 1998; Busse and Hefeker, 2007; Bremmer and Keat, 2009; Jakobsen, 2010). Daniel et. al (2015) however, provides a more comprehensive and detailed analytical framework for political risks, which was considered appropriate for extrapolating the nature of political risks that investors might be exposed to from the political challenges unveiled in this study. They suggest categorising political risks according to the level of challenges and they use observable events, again observable within a specific environment. Theirs is a useful piece of information in understanding and conceptualising the nature of political factors and challenges unique to an individual country because they demonstrate explicitly, how events impact on the business environment and vis-à-vis, the business operations.

In accordance with the level of impact, first, there are political risks associated with substantial changes that may happen to the government and/or policies, which may affect investment operations (Bremmer and Keat, 2009; Jakobsen, 2010; Daniels et. al, (2015). According to Daniels et al (2015) these sort of political risk have the least impact and are categorised as systemic political risks. Another class of political risks, named procedural political risks are believed to occur when investors' day to day activities are hindered by government system activities ranging from poor governance and corruption for instance. Then there are political risks that the authors classified as distributive political risks, which entail challenges emanating from government decision on what the economy should benefit from the foreign investors. Thus, foreign investors may experience unfair treatment in terms of profit expropriation; government confiscating or nationalising foreign assets, or may find themselves targeted for economic restructuring programmes, to which they would be expected to contribute more to development programmes. The final class, which they think has the highest level of political risks and are the most detrimental, is the catastrophic political risks category. The risks associated with the destruction, distraction, or any situation that are dangerous to business operators or operations, which may be due to political uprisings, wars, terror attacks, race clashes and many other related forms of instabilities.

The following presentation is a snapshot of the conceptual frameworks that are key to the formulation of the research problem and topic.

5.7 A synopsis of the conceptual frameworks key to the research problem

Table 1: A synopsis of the conceptual frameworks key to the research

Author and Year	Title	Brief summary of the findings	Insight to current study
Simon (1984)	A theoretical perspective on political risk	Political risks in Africa before the end of Apartheid	-Closely relates to the study but dated. -Gives insight on the nature of political challenges and risks in SA before the end of apartheid
Morisset (2000)	FDI in Africa: Policies also matter	-Proposes that African countries are heterogeneous therefore policies for economic reforms should be different per individual African country	-Inspired the need to research on specific country, industry and FDI factor
Asiedu (2002)	On the determinants of FDI to developing countries: Is Africa different	-Confirms that Africa is indeed different and its countries are heterogeneous therefore determinants of FDI should be different	-Inspired the need to research on specific country, industry and FDI factor
Onyeiwu and Shrestha (2004)	Determinants of FDI in Africa	-Multiple countries, cross industry analysis on a various FDI determinants -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Inspired the need to research on specific country, industry and FDI factor -Raised questions on the relevance of theory and assumptions drawn on individual country and industries
Yasin (2005)		-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Inspired the need to research on specific country, industry and FDI factor -Raised questions on the relevance of theory and assumptions drawn on individual country and industries
Dupasquier and Osakwe (2006)	FDI in Africa: performance, challenges and responsibilities	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Inspired the need to research on specific country, industry and FDI factor -Raised questions on the relevance of theory and assumptions drawn on individual country and industries
Asiedu (2006)	FDI in Africa: The role of natural resources, market size, government policy, institutions and political stability	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Inspired the need to research on specific country, industry and FDI factor -Raised questions on the relevance of theory and assumptions drawn on individual country and industries
Fedderke and Romm (2006)	Growth impact and determinants of FDI into South Africa	-Specific to South Africa, but cross industry analysis -Suggest political factors as one of the major determinants of FDI in SA	-Inspired the need to research on specific country, industry and FDI factor -Inspired to examine SA FDI factors through the political lenses
Moreira (2010)	The determinants of FDI: What is the evidence from Africa/	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Inspired the need to research on specific country, industry and FDI factor -Raised questions on the relevance of theory and assumptions drawn on individual country and industries
Bartels et al (2009)	FDI in Sub-Sahara Africa: motivating factors and policy issues	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political	-Multiple country, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in

		factors emerge as one of the factors of influence	the various countries analysed
Bremmer and Keat (2009)	The fat tail: the power of political knowledge for strategic investing	-Explains the nature of political challenges and risks	-The study draw insights from which the analytical framework was formulated
Jakobsen (2010)		-Explains the nature of political challenges and risks	-The study draw insights from which the analytical framework was formulated
Tuomi (2011)	The role of the investment climate and tax incentives in the foreign direct investment decision: Evidence from South Africa.	-Specific to South Africa, but cross industry analysis -Suggest political factors as one of the major determinants of FDI in SA	-Inspired the need to research on specific country, industry and FDI factor -Inspired to examine SA FDI factors through the political lenses
Du toit Gerda (2013)	Political risk factors: what Chinese companies need to assess when investing in Africa.	-Closely relates to this study but is multi-country and multi-industry analysis	-The study draws insights from which the analytical framework was formulated
Ankilo et al (2013)	Determinants of FDI in ten African countries: a panel data analysis	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Multiple country, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed
Daniels et al (2015)	International Business Environments and Operations	-A comprehensive framework for explaining and understanding political risks in international business climates	-The study draws insights from which to extrapolate political risks from its empirical evidence
Kariuki (2015)	The determinants of foreign direct investment in African countries	-Multiple countries, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed and political factors emerge as one of the factors of influence	-Multiple country, cross industry analysis on a various FDI determinant -A catalogue of FDI determinants in the various countries analysed
George (2015)	Expanding context to redefine theories: Africa in management research	-Emphasises the need to deepen research in specific context in order to make theories relevant to individual cases	-Inspired the study to be more focused and to seek detail for individual phenomenon in order to draw assumptions relevant to SA

Author (2015)

In a nutshell, the literature outlined above are key to the 1) identification of the gaps in knowledge, 2) formulation of the overarching and specific research questions, 3) delimiting the study in terms of scope, and 4) formulation of the research design and process.

The following discussion is a critical reflection and synthesis of the presented literature in order fully to expose and explain the nature of the gap in knowledge that this study attempts to address, and also, to demonstrate the significance of this research.

5.8 Synthesis of literature and the gaps in knowledge

Based on the previous studies reviewed in Chapter 3, it is now possible to demonstrate that there is a relationship between previous works and the present study. There is no doubt that existing literature is providing significant insights from which to understand the issues fostering and obstructing FDI flows in various African locations. In the first instance, literature on the benefits of FDI to host countries has motivated this study, particularly in the view of how FDI could help narrow the growth and development gaps in host countries. Literature on the determinants of FDI has demonstrated the contributions so far, to the understanding and improvement of FDI attractiveness in different locations. However, despite the invaluable contributions, some disconcerting limitations and gaps in knowledge, which could be hindering the attraction and improvement of FDI inflows in African locations, have been revealed.

One, literature on the factors affecting the flows of FDI is limited, particularly in the context of individual countries. Furthermore, not much attention is paid on investigating the determinants of FDI in specific economic sectors.

Two, the majority of available research are cross-country and cross-industry, with a tendency of pooling multiple countries into huge surveys despite their heterogeneity. Reliance on such an approach in order to deduct and explain meaning has a possibility to undermine relevance and reliability in the light of theoretical applicability on individual countries.

Three, it seems customary to adopt similar theoretical and methodological approaches in pursuing the FDI phenomenon, which seems to yield similar FDI factors in various studies. The limitation associated with this viewpoint is that, in the context of Africa, although previous studies puts to light the various factors of FDI across multiple locations, but then there seems to be no interest in identifying the most forceful FDI issues in respective countries, and probing further to establish the actual and specific factors unique to specific countries. Surely given the differences in countries investment climates, establishing the actual factors that affect FDI flows in different countries, is fundamental. Focusing on specific and presumably most robust FDI determinants to explore qualitatively, the FDI investment climate in specific countries at specific industry level could help paint a clearer picture of the intrinsic FDI determinant characteristics, which may be useful and relevant to policy.

Four, unlike this study whose primary concern is to identify the political challenges hindering the operations of foreign investments in South Africa, research into the political factors obstructing FDI in Africa including South Africa, shows that previous researchers' primary goals have been mainly concerned with assessing the impact of political risks or political instability on FDI. Literature establishes coherently, that political factors are significant aspects of FDI in Africa, but is not explicit as to which ones in particular, are associated with individual countries. The body of knowledge does not clearly show the sources of the political challenges or risks, how they are formed in different political environment, of which political events and effects are seen in South Africa for example. Morisset (2000); Asiedu (2002) and Dupasquier and Osakwe (2006) both argue, on separate occasions, that other factors of FDI such as the size of the country, market or its abundant natural resources for example, are exceeded by political factors in determining the flow of FDI. All of them emphasise that, despite other factors that can potentially attract foreign investors to Africa, the political investment climate needs to improve significantly for FDI inflows to improve. What is surprising in the body of literature is that, researchers continue not to pay attention to finding out how Africa's image of the political investment climate can be enhanced, if researchers continue to treat Africa as one country? How can Africa's political investment climate be improved if the sources of political challenges and risks, the actual political challenges and risks, events and effects are not brought to light from individual country's perspective. This is a key gap in knowledge, which this study attempts to close, by focusing on the political investment climate, and attempts to identify the sources of political challenges and risks and the actual political challenges or risks, in order to understand better, the political investment climate of FDI in the South African banking sector.

Five, it also seems there is over-dependence on quantitative analyses disregarding that the nature of some FDI determinants may require further probing than quantifications and ascriptions of figures. Using qualitative approaches to investigate and explain the relationship between FDI and the robust determinants could advance the knowledge on FDI aspects in specific African locations, particularly when the actual industry players are consulted. This study adopts a subjective analysis approach to examine the political investment climate of South Africa, in order to go further than simply observing the changes in computed FDI variables, which in most cases limits the chances of identifying the specific sources of political challenges and risks.

The observations discussed here have, to a greater extent, cast a shadow of doubt on the development of reliability and relevance of theories and concepts on the knowledge and understanding of the FDI attraction in individual countries. Although available and ever-growing, the body of literature on the determinants of FDI seems to be reaching a conceptual dead end, yet, as literature attests; the FDI levels into Africa are still troubling. Evidently there is still the need to continue advancing knowledge on the issues that impinges on FDI inflows but research needs appreciate other various angles and lens through which to analyse and explain the problem. Considering that the study of literature also revealed that FDI inflows to Africa are below optimal levels, and given the growth and development challenges facing most of her countries, the attraction of more FDI to Africa remains quite a fundamental issue in research, especially if we consider the critical role that it could play in the growth and development processes.

This study argues that other FDI factors discovered by the various researchers are important, but there seems to be some underlying factors discouraging the growth of FDI in Africa, despite other countries such as South Africa, having abundant resources, effective infrastructures, and is integrated into the global trade and investments. The underlying factors appear to be arising from the lack of insights into specific determinant factors in specific countries and industries respectively. Therefore, to continue adding to knowledge, literature on factors influencing the flows of FDI in Africa, the study identifies the political factors as its focal phenomenon, and casts a microscopic eye on one specific African country, South Africa, and explores one of the most important economic sectors: the banking sector. The study seeks to examine the political investment climate of South Africa to identify the political challenges and obstacles to the current investors in the banking, and to analyse their effects upon the South African inward FDI perceptions.

The study responds to the following questions arising from the extensive literature reviews above, in an endeavour to address the gaps in knowledge, also highlighted above:

- Research question 1: What are the political challenges and risks for the investors in South Africa's banking sector?
- Research question 2: How do political challenges and risks affect investors' operations?
- Research question 3: How can knowledge of political challenges and risks inform policy to enhance banking sector investment climate for foreign firms in South Africa and other similar economies?

The above research questions are directed by this overarching question:

- **What are the political challenges and risks facing foreign investors operating in the banking sector of South Africa; to what extent, and how do they influence the flow of FDI in South Africa?**

5.8.1 The conceptual framework

The extensive review of the literature on the political factors, specifically the risks and challenges that might impact negatively on foreign businesses, led to the development of a well-conceived conceptual framework presented as Figure 5 below, to show how the study utilises the current knowledge in addressing the gaps in research. The conceptual framework serves many purposes including, guiding the direction of the research in terms of the gaps in knowledge, formulation of the research questions, and most importantly, formulation of the analytical framework for data collection instrument and analysis tools. It is important to inform the reader that the concepts of the conceptual framework shown here will be recalled later in Chapter 7, where the data analysis methodology is developed and outlined. This is because this conceptual framework also helps form the basis for analysing and reporting finding from the present study.

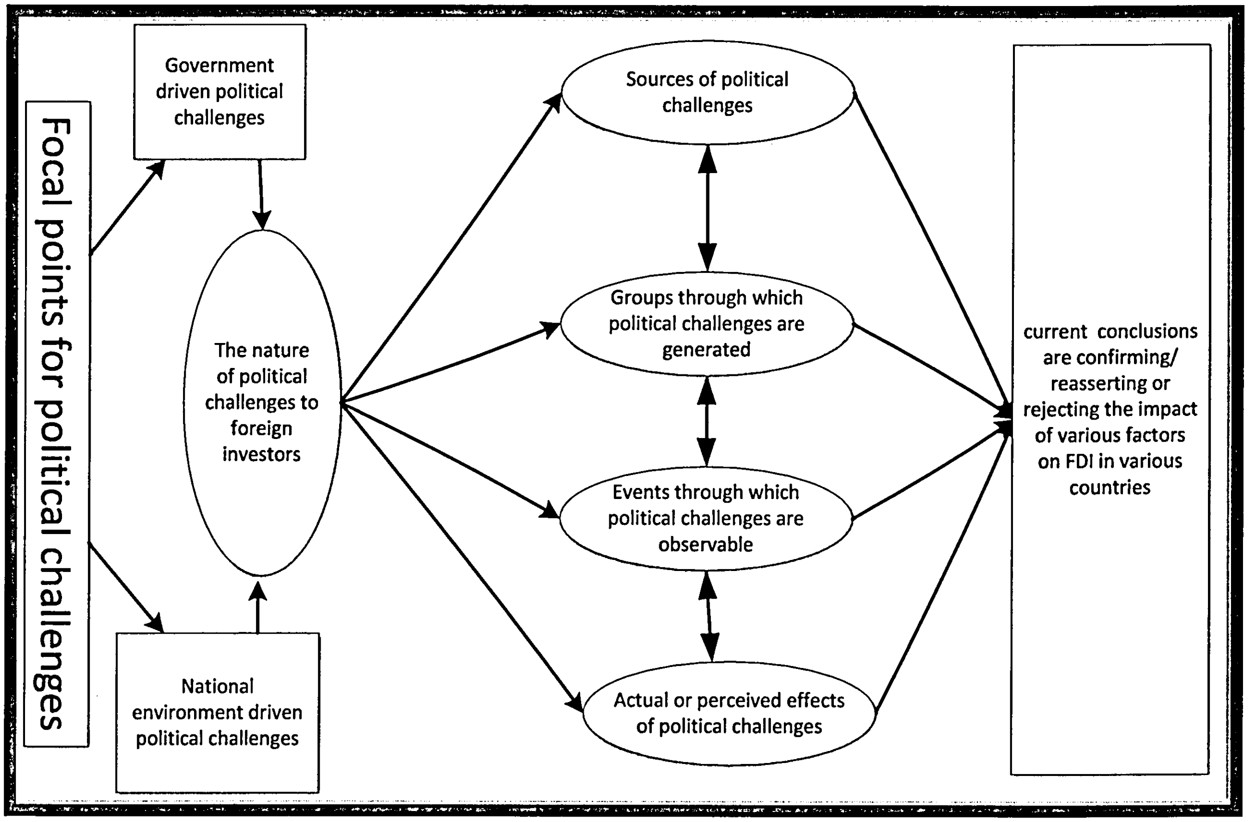

Figure 5: The research conceptual framework

Author: 2014 (concepts for structuring the conceptual framework were drawn from studies by Simon, 1984; Bremmer and Keat, 2009; Jakobsen, 2010)

Literature reviewed in this study attest that the conceptual frameworks on the South African political challenges to foreign investors are limited both in scope and depth. This is mainly because researchers use, in most cases, hard data that relies on the interdependence of a selection of predetermined variables, and also, most do not focus directly on a specific factor, country or industry. However, although the conceptual frameworks of the political challenges to FDI in South Africa are under-developed and not well-established, those available indicate that whilst other writers perceive political challenges and risks in terms of the host government's interference with the foreign investments, others perceive it in terms of the stability or instability of the country's business environments, which could entail the social, political or economic environments.

The above conceptual framework suggests that literature on the political factors that determines FDI in host countries is investigated from two focal points. One that pursues the government imposed impediments and constraints to foreign owned business, and the other that pursues instabilities emanating from other related national environment. National environment, according to Simon (1984; Desta, 2014) are the socio-economic and socio-political aspects of a host country. Existing theories suggest that the stability or instability of these environments define whether the country demonstrates political or economic certainty to investors in terms of policies in particular, as policies are the most significant determinant of FDI than other political events (Morisset, 2000; Asiedu, 2002). Thus, even if host governments have the agenda to attract and retain foreign investments, and therefore present them with economic incentives and policies that guarantee little or no interferences, other investigators think that the social or economic circumstances and atmosphere prevailing in the host country will always shape the business environment of that particular country (Simon, 1984; Desta, 2014).

Additionally, as illustrated on the above framework, literature suggests that since political challenges and risks to foreign businesses stem from politically related sources that have roots in either the government or national environment, they should be generated by groups of individuals or situations within a country; should have events or aspects that can be observed as actual or threatening situations; and should also have some observable, actual or perceived effects on businesses that are detrimental to business profits and other significant business goals.

Although the thesis has shown already where the novelty of this study resides, it is still important to reiterate to the reader, using this framework, the contributions of the study, by highlighting them here once again. Firstly, this study, unlike previous works that were concerned about assessing the impact of political factors on FDI into Africa, is concerned about the identification of political challenges and risk factors. As indicative of the conceptual framework, the nature of political challenges and risk factors to international businesses is complex and multi-layered. Risks and challenges stem from either the government as politically driven political challenges, or they are driven by other national environmental forces. To constitute political challenges or risks, an aspect should have some of these characteristic features: aspect has a source linked back to the government or national environments, is linked to groups or situations, and has effects that are detrimental to businesses (Simon, 1984; Busse and Hefeker, 2007). Surprisingly, this is what is not adequately addressed in literature, for previous researchers were primarily concerned about the impact rather than identifying the source, groups, events and the subsequent effects in terms of types and classes of political challenges and risks, as this study was set to establish.

In short, this where the major gap in knowledge resides, as already mentioned in synthesising previous understandings on the political factors that determine FDI inflows in Africa (subsection 5.7), literature on FDI determinants in Africa is mostly based on research concerned about assessing the impact of political factors on FDI rather than the identification of the sources, groups, events and effects of the political factors on investors in specific countries. This makes it difficult to conceptualise clearly the political risks and challenges affecting investors in South Africa, or any other African country, given the diverse backgrounds each country has. Thus, assessing the impact of political factors (and other factors as observed in literature), and merely listing and emphasising that they are significant FDI determinants cannot be enough knowledge for understanding the complex nature of political investment climates specific to individual countries. This indicates that there are drawbacks in the development of theory and concepts on the political challenges and risks that affects FDI in individual countries of Africa, and is therefore a cause of concern in research.

Besides being a useful tool and mind map for understanding the study's line of argument, and summarising how the researcher conceives and explains the current state of knowledge on the political investment climate in Africa and South Africa respectively, the above framework, which is one of the major pillars of this study, is also a snap-shot of the gaps in knowledge as it shows in the middle, the gaps in literature, which the study attempts to address. The framework was critical for formulating the other research pillars namely, the research problem in terms of defining the research questions, facilitated the development of the research design and process, and also informed the basis for the development of the analytical framework, which in essence is another important building block for the research, that was employed for conceptualising the data analysing process and is fully outlined in Chapter 6.

5.9 Conclusion

The chapter has shed some light onto the factors that encourages or discourages FDI flows into host countries, leading to the identification of the political investment climate as the focal phenomenon of this study.

Clearly, literature remains fairly indecisive regarding the factors that determines FDI in the various locations. Although most scholars agree a fair amount, there are still some discrepancies regarding how some of the factors impact on FDI flows into various locations.

Most importantly however, the chapter unveiled very interesting findings which helped to identify the area of focus for the study, emanating from the gaps and limitations observed in knowledge, hence the significance of the present study. A number of researchers have vehemently argued that paying special attention to the macro-economic factors alone does not improve FDI inflows into host countries because political factors such as socio-economic, regulatory regimes, the quality of government institutions and legal framework can deter FDI despite sprucing up and incentivising investors through macro-economic factors (Asiedu, 2002; 2006). Reducing the risks associated with political economy aspects is recommended by many researchers who posit that governments can turn economically unattractive countries, for example, small countries that lack natural resources or market size, if they focus on creating friendly and enabling political investment climates (Morisset, 2000; Asiedu, 2002, 2006; Busse and Heffeker, 2007).

However, despite the huge and growing body of research on FDI determinants, and the conventionally accepted knowledge on the importance and significance of political challenges and risks, little attention has been paid on deepening the understanding of the actual political factors linked to investments and FDI inflows in Africa, let alone in individual countries and economic sectors. As a result, existing knowledge lacks intrinsic insights into the politically related challenges facing investors and their likely effects on FDI perceptions in specific locations. This study seeks to address this gap in knowledge by casting a microscopic look on South Africa, and closely identify the political investment climate challenges facing current investors in order to understand better, how these challenges may affect FDI inflows in the country's banking sector.

The next chapter is concerned with the research methodology and research process adopted to investigate the political investment climate specific to the South African banking sector.

6 CHAPTER SIX: RESEARCH METHODOLOGY

6.1 Introduction

So far in the thesis, the first chapter has spelt out the purpose of the study by illuminating the research problem and why it is important to undertake this inquiry. Chapter two of the thesis outlines the research contexts, providing accounts that justify the area and scope of the research. Chapter three identified and explicated the theoretical frameworks underpinning the research whilst Chapter 4 discussed the theories underpinning the significance of FDI in host countries. In Chapter 5, literature review on the determinants of FDI to various locations revealed (1) the gaps in knowledge, leading to the identification of the political factors as the focal phenomenon of this study and (2) highlighted the limitations in the methodological perspectives commonly used in the existing studies, and demonstrated how the gaps in knowledge and the methodological perspectives have informed and relate to the present research.

This chapter serves to (1) to explain the research methodology in the light of how the overarching research question is addressed (2) explain the participants selection process (3) describe the designing of data collection and analysis instruments and procedures (4) highlight the limitations of the chosen approach (5) demonstrate rigour and validity in the study and (6) outline the ethical issues considered. Firstly however, the chapter will reflect on the conceptual framework and outcomes of the literature review chapter (5), in order to demonstrate how existing knowledge informed the research methodological approaches and the decision to study the political investment climate of South Africa's banking sector.

The primary purpose of the study is to investigate and identify the political challenges and risk factors in terms of their sources, generators, events and effects on the political investment climate of the South African banking sector. As highlighted in Chapter 1, it poses the overarching question: What are the political challenges facing foreign investors operating in the banking sector of South Africa; to what extent, and how do they influence the FDI inflows into South Africa?

6.1.1 Summary of the methodological approaches observed in the existing literature

Based on the studies reviewed in Chapter 5, it is now possible to justify the choice of the research methodology and the research context. The topic of FDI falls within the broad field of international business, which itself, is described as very rich, open, complex and multidisciplinary (Shenkar, 2004; Buckley and Lessard, 2005; Buckley, 2009; Doz, 2011). Doz (2011) further pointed out that most disciplines within the international business field tend not to conform to any single paradigm or mono-method research approach. This privileges each discipline to choose and propel its own research methodologies, giving the International Business field that eclectic nature to approaching research phenomena. The attraction to the eclectic approach emanates from wanting to harness as many theories, methods and relevant approaches as possible in pursuing and understanding their phenomena. International business research requires contingency approaches, believes Shenkar (2004) that can be changed and switched around to suit a research problem and even its environment.

Although researchers in the field of international business have the choice not to be blinkered by methodological commitments, literature reviews in this study reveal that research works in the context, and related to the context of South Africa, are mostly dominated by quantitative research approaches and methods. Thus, despite the widening of the methodological horizons and the plentiful methods of researching at the disposal of researchers within the discipline of FDI for instance, most previous studies shied away from the qualitative research methodologies, preferring the quantitative oriented methodological approaches, resulting in very limited qualitative oriented studies.

A review of literature shows that there are conventional ways of examining the FDI phenomenon. A large body of the existing literature is characterised by deductive theories generated from positivistic assumptions about the nature of FDI determinants. There are very few studies that have attempted to address the FDI factors phenomenon by examining the factors qualitatively even though some of the factors have more qualitative characteristics, for example political factors, than those that comprise of quantifiable features for example, macro-economic factors such as inflation or exchange rates. Also, most of the existing studies are based on aggregate data and disregards the perceptions of the actual decision makers, except for a few such as Tuomi (2011) who used micro-data to examine the FDI inflow determinants in South Africa. However, just like many others, her study is also cross-industry based and she employed a wide range of predictive factors as research variables.

The conventional way of investigating FDI factors in the context of Africa in general is beset with limitations: researchers cluster countries with different investment climate characteristics, those that depend on forms of data that are non-respondent based such as aggregate or panel data and those that employ prescribed heterogeneous factors as explanatory variables tend to yield similar results and yet not much follow-up to expand the knowledge on those identified as factors of FDI inflows to Africa. Researchers deduce and explain the meaning of the multiple results for multiple countries and industries, which raise questions regarding the depth and the subsequent reliability of such analyses, hence the continued research on establishing conditions that could help, improve FDI inflows to African locations.

Clearly, earlier studies indicate some limitations that could be impinging on their ability to address adequately the FDI determinants problem, hence the purpose of this study as stated earlier. It was therefore appropriate to consider adopting a research methodology that allows theory to emerge from content, which will then help to predict, describe and explain the FDI determinants situation specific to a specific country and industry, assuming each country has its own unique characteristics.

6.2 The qualitative research paradigm

As discussed above, the literature review in Chapter 5 led to the identified gaps in knowledge to which this study is responding. The nature of the research problem is, to a large extent, caused by the methodological oversight in existing research. Based on the nature of the research problem and the subsequent overarching research question, the study locates itself within the qualitative research paradigm.

In research, a paradigm is described as a system of philosophical beliefs that guide or govern researchers in terms of their position in the world (Guba and Lincoln, 1994). Generally, a research paradigm is a framework of beliefs, practices and procedures that guide researchers who subscribe to a specific paradigm on how to go about researching their problems (Trochim, 2006). Often, the major components of a paradigm are the philosophical and theoretical beliefs referred to as epistemology, ontology and methodology (Guba and Lincoln, 1994). Weber (2004) argued that placing a research into a specific paradigm helps improve the quality of the study during evaluation as the study is judged from the theoretical assumptions that guide researchers in that paradigm. Denzin and Lincoln (2008, 2009, 2011) asserts that research paradigms are important to any research as they allow researchers to identify their role in the research process as well as helping them to map out the appropriate course of action, and Gill and Johnson (2010) argues that the choice of whether a study should be qualitative or not is dependent upon many research aspects such as the nature of the research, the objectives, research questions and to some extent, the perceptions and skills of the researcher.

Traditionally, there are two major paradigms: qualitative and quantitative paradigm, and according to Ryan (2006) and Denzin and Lincoln (2009) none of their approaches is inferior to the other. The choice between the two rests on the objectives and purpose of the study and in this current one, qualitative research has the absolute advantage over quantitative approach. Their distinctive characteristics are summarised in the table below.

Table 2: The distinctive features of qualitative and quantitative research paradigms

Quantitative research styles	Qualitative research styles
• Concerned about objective facts • Focuses on variables • Reliability is fundamental • Research is value free • Independent of contextual meaning • Concerned about quantity: many subjects • Mainly statistical • Objective is to test and confirm theory • Researcher is detached	• Concerned about social and interpretive constructs • Interested in interactive process and events • Authenticity is key • Values are inherently present and explicit • Situational attached: necessary conditions for research • Concerned about quality: few subjects but necessary to justify findings • Thematic analysis • Concerned about observing patterns to hypothesis theory • Researcher is involved

Source: Van Maanem (1993); Trochim (2006)

6.2.1 Epistemological and ontological position of the research

It is necessary to explain the terms ontology and epistemology in relation to this study because they make complete the paradigmatic description, as they are the major components of every paradigm. In principle, and as mentioned earlier, a paradigm consists of the ontologies, epistemological and methodological assumptions: whereby ontology is concerned with notions about the nature of reality. Simply put, ontology entails those assumptions that a researcher can postulate in trying to understand the real nature of the phenomenon. Epistemology is the theory of knowledge and answers the questions regarding the knowledge that this researcher privileges. It therefore entails notions about the study of knowledge and what constitutes valid knowledge. It is concerned with answering several questions in research, such as what are the conditions necessary and sufficient for creating knowledge (Easterby-Smith et. al, 2006), as it is about the creation and dissemination of knowledge. Methodology entails the actual practicalities we go about trying to know (Guba and Lincoln, 1994; Creswell, 2012).

The terms epistemology and ontology are the two terms that theorists apply differentiating labels such as: constructivism, positivism, postmodernism, post-positivism in accordance with their beliefs about reality and knowledge. The delineation of these theoretical foundations lie in how individuals' answer to whether reality exist independently or not. Thus, whether the theory of knowledge is objective reality underpinning positivism, subjective reality underpinning constructivism or it represents an alternative of both worlds as in the post-positivism theory (Symon and Cassell, 1998). These assumptions, according to Crotty (1998), are the ones that inform methodology, which in simpler terms, are the processes and procedures researchers take in order to know (Guba and Lincoln, 1994). Guba and Lincoln (1994), Trochim (2006), Creswell (2012), Gill and Johnson (2010) provide explicit insights on these theoretical terms.

With regards to the present study, the three questions regarding methodological commitment has to be addressed. Thus,

1. What is the nature of reality? Thus, in this case, what is the nature and characteristics of the political challenges, largely in terms of economic policy and reforms that regulates the operations in the banking sector.

2. Is reality objective or subjective? Thus, from the viewpoint of the research objectives and research questions, can these be investigated objectively or subjectively?

3. How can objective or subjective reality be obtained? Thus, if the nature of the problem this study seeks to address is subjective, what methods can be employed to elicit the evidence needed to address the research problem and what position does this researcher assume in the process.

With regards to the first question, the nature of political factors this study seeks to expose as the FDI factors in the banking sector of South Africa, is relatively subjective and therefore requires subjective approaches in order to access detail. The study regards them as subjective because the researcher seeks individual perceptions from the research subjects, which is indicative of multiple viewpoints and subsequently multiple meanings. According to Trochim (2006) truth in qualitative research resides subjectively in specific individuals, and is dependent on how they view and interpret their world. Objectivity however, can be achieved through the researcher, defined by the position he or she maintains in conducting, analysing and explaining the situation. This study moved away from predictive and deductive research approaches, preferring the inductive and explanatory approaches, believing that existing studies lack depth and clarity due to their deductive nature.

The research interest lies in the investigation of the investment climate: thus, the views and experiences of the key research stakeholders (investors, government officials, and intermediaries, who comprise of political and economic analysts and commentators, investment risk analysts and insurers, and investment advisors in the banking sector). The current research ontological assumption is of critical viewpoint (see figure 4 below). A critical standpoint criticises the pure realist approaches to research, particularly the adoption of scientific methodology that stipulates what should be measured and how it should be measured. According to Bhaskar (2010); Miller and Tsang (2011) researchers with a critical viewpoint believe that reality is made up of multiple layers (strata), and as such, researchers may only see some of the strata (not all) of what is actually happening if inappropriate approaches and methods are used. Consequently, what realistic approaches have been observing, that which is evidently failing to promote South Africa's economic and social agendas, is what the methodology they use allows them to see. The nature of reality is subjective but existing theories largely depend on objective reality. This study seeks to review, with an inquisitive eye, the FDI challenges in the political investment climate of South Africa. As critical assumptions stipulate, they seek to uncover underlying layers of influence that realist accounts seem to be failing to unveil (Easton 2010). Thus, what underpins the economic policy making, what really determine the type and levels of FDI inflows, and what do foreign investors regard as political challenges in the South African banking sector? A critical position is therefore suitable for the case of South Africa, in which the study seeks to uncover any underlying problems or influences in order to provide the context for rich theoretical explanations.

Concerning the second and third questions, is reality objective or subjective? The researcher argues that pure objectivity is impossible (Guba and Lincoln, 1994) and that the nature of reality under study does not exist independently because, as suggested by Trochim (2006) reality in qualitative research is not free from bias because of the interactions between the researcher and the researched. Plus, depending on how the subjects view and interpret their world, qualitative research is subject to multiple meanings. As such, and as guided by her post-positivistic mind-set, the investigation can be studied using subjective methods of data collection and analysis but retains its objectivity through the researcher. Trochim (2006) argues that the objectivity in post-positivism paradigm can be achieved through the robustness of the research. (The objectivity maintained in post-positivist research is explained in the following section).

In principle therefore, the elements making up research sources such as policy documents, previous publications in statistics or opinions of stakeholders, and current research subjects that are existing, can be studied, but to access the multiple strata making up the phenomenon, the phenomenon should be studied qualitatively using interactive qualitative methodologies such as interviews, as data collection tools. However, from a critical viewpoint, the statistics and all the information about the economy, the socio-economy, and FDIs requires a critical analysis to be able to question why the socio-economy is not changing, why a specific type of FDI, and to a larger extent, why the economy is not progressing as targeted. It is also through the critical lens that economic policies and reforms can be dissected in order to understand their underlying forces and impact to the social, economic and political spheres.

Most centrally however, the critical argument is still the objective reality of what is happening in the banking sector and indeed within the overall political economy of investments, can be achieved, that is, if the researcher ensures that her own biases do not cloud the findings (Coghlan and Brannick, 2014). The study is not obliged to adopt any specific methodological processes and procedures because its objectives and perceptions demand holistic approaches rather than context-limiting approaches.

Moreover, employing interviews as the main data collection instrument for perceptions in the banking sector is very consistent with the post-positivist standpoint which emphasises attaining in-depth content. By and large, assuming a critical ontology allows deep understanding of the nature of South Africa's political challenges, particularly given the complexities that characterises its political, social and economic history, which presumably, plays a major role in determining the course of economic policies or even the policy making mechanisms.

6.2.2 The research philosophy: Post-positivism paradigm

In qualitative research, some of the basic epistemological positions that may underpin a research are the post-positivist, interpretive/constructivist and critical theory. Since the study intends to seek views and perceptions from the actual decision makers with regards to FDI inflow attractions, this study is underpinned by post-positivism assumptions. The research begins the empirical work for this research from a learner's standpoint (Ryan, 2006). By assuming a post-positivist standpoint, the researcher gets into the research field, not empty headed yes, but tries not to impose own knowledge and experiences on to the phenomenon. Post-positivism encourages bracketing the researcher's own presumptions, knowledge or experiences about the problem under study in order to allow theory to emerge from the subjects. In this study therefore, the researcher starts by asking policy makers, independent intermediaries and investors, questions about what is happening in the banking sector in as far as the business operations are concerned, bearing in mind however, that open mindedness is not necessarily empty headedness (Walcott, 1990) hence the necessity for a reflexive account in qualitative inquiry.

In general, a post-positivist position is assumed when one rejects some of the positivists' assumptions such as claiming objectivity and absolute truth, and at the same time, not completely embracing the constructivists' beliefs about the nature of being and reality. Thus, when one adopts inter-subjective methods of inquiry believing in multiple realities about the social spheres (Keen, 1992; Creswell, 2012) but choose to retain objectivity whilst doing the research becoming an inter-subjective media. Unlike positivistic objectivity that assumes single reality, post-positivists objectivity comes from a researcher's position in researching. Thus, that of attempting to explore then explain or describe the phenomenon as it is (Trochim, 2006; Creswell, 2012) without diluting emerging knowledge with one's own assumptions or prior knowledge. It should be pointed out however, that prior knowledge, experience or insights from existing literature can helpful in the designing of a post-positivist research approach and strategy, as has been with regards to the present research's analytical framework presented in Chapter 7 (Phillips and Burbules, 2000; Ryan, 2006).

Methodologically, post-positivists believe in methods and approaches that reveal life's multiple meanings by studying social worlds and trying to understand the world views of those under study.

Post-positivists do not claim to have no epistemology but do so inter-subjectively (Bateson, 1977: cited in Ryan, 2006).

With regards to this study, to shun positivistic objectivity is to conduct this research using inter-subjective approaches that are described in the next section. Post-positivistic objectivity is retained by assuming a learner's standpoint during the research processes in order to limit the researcher's knowledge, perceptions, assumptions and influence on the research. The neutrality of post-positivists' standpoint liberate researchers in this paradigm from being loyal to limiting commitments prescribed by positivists or constructivist for instance. This approach benefits the study from multiple insights and serendipitous comprehensions that eclectic qualitative approaches can provide. Essentially, the theoretical underpinnings of each research tradition, thus the epistemological and ontological assumptions, divorces or marries one tradition from/with the other, and are the ultimate elements that determines the outcome of a study in terms of depth and context.

A sketch below demonstrates the research paradigms and their paradigmatic characteristics (ontological and epistemological assumptions) that normally underpin these paradigms, and goes further to show the paradigm position, ontological and epistemological stance that this study assumes.

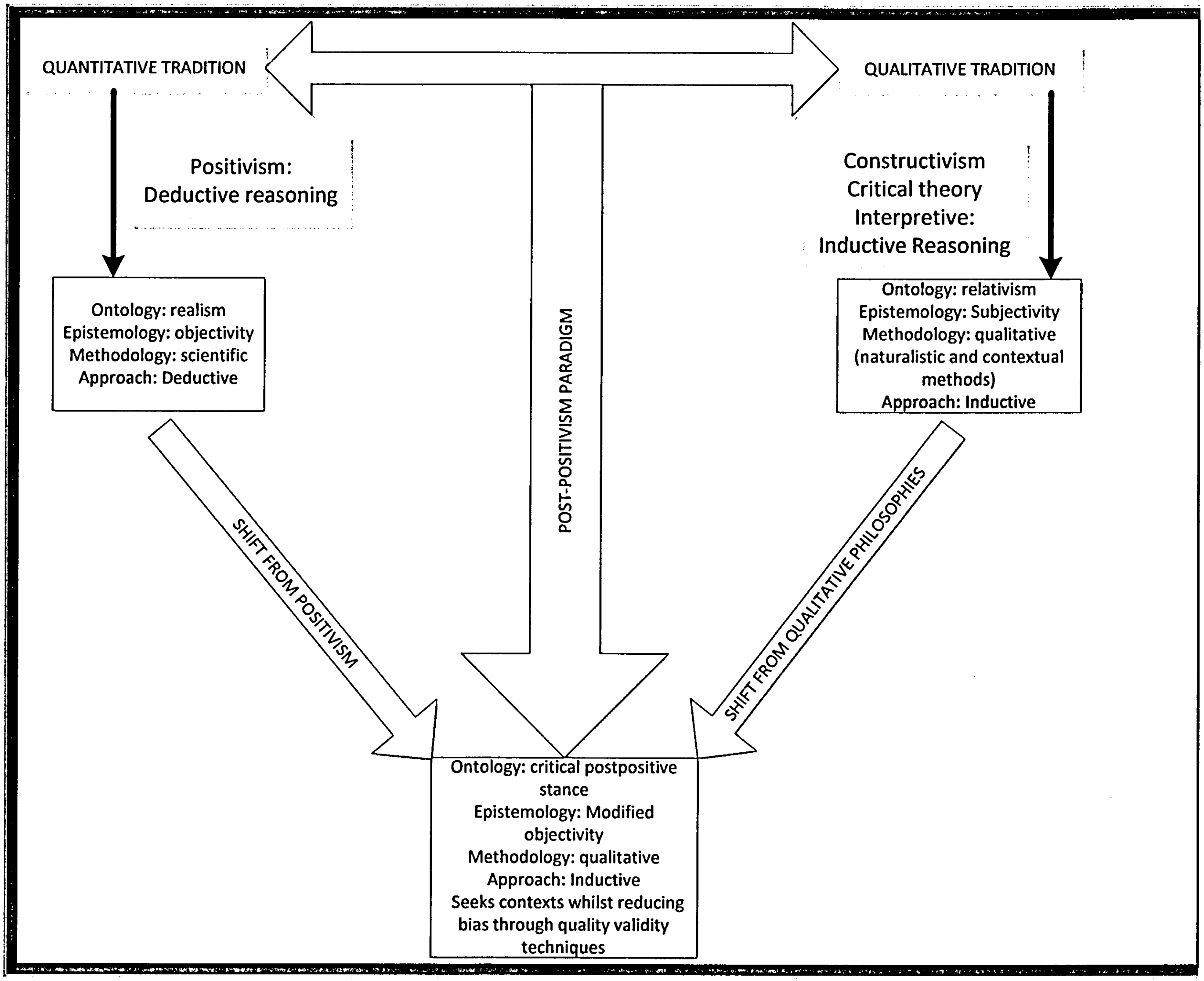

Figure 6: Summary of the study's theoretical assumptions and positionality
Author: 2014 (Created using insights adopted from Guba and Lincoln (1994))

This figure was created by adopting Guba and Lincoln (1994) paradigmatic works. This re-sketched model demonstrates how this writer understands the adopted philosophical position in carrying out the current study. As the diagram illustrates, the philosophical assumptions that Phillips (1987); Guba and Lincoln (1994), Creswell (2009) for instance, labels post-positivist, are a shift from positivists' beliefs but does not land themselves in the constructivists, interpretive or critical traditions, although they too, make contributions to the post-positivists' ontological arguments. It therefore, does not land itself in either qualitative or quantitative traditions, hence its eclectic nature, which is determined by the nature of the research study to be conducted.

6.2.2.1 Explaining objectivity in this study: The post-positivist objective

The post-positivists' ontological and epistemological assumptions underpinning this study are discussed here in comparison with the positivism assumptions. The differences between the positivism and post-positivism research traditions lie within their ontological, epistemological and methodological preferences (Chen and Hirschheim, 2004). Ontologically, positivists or empiricists assume that the world exists objectively and independent of human experience whilst post-positivists or neo-empiricists believe in objective reality which they believe can be constructed through human and social interactions (Burrel and Morgan, 1979).

Epistemologically, positivists prefer to obtain knowledge using set hypothetic and deductive testable theories and try to seek statistical regularities within empirical data collected through set grids, whilst post-positivists favour methods that seek to understand human and social phenomena through interaction (Walsham, 1995). Also, post-positivists negate the idea that research is valid only when set 'correct tools' for collecting and presenting data are applied as they believe this is inadequate and very limiting (Ryan, 2006).

From the post-positive epistemological standpoint, a research phenomenon can be studied qualitatively using interactive qualitative methodologies such as qualitative interviews and semi-structured interviews as data collection tools and still yield objective reality of what is happening in the banking sector with regards to the operation of foreign investors. Concerning methodologies, positivists collect evidence that is meant to test or prove a theory, for example, laboratory experiments and quantitative surveys, whereas post-positivists emphasise the use of multiple measures such as triangulation of methods and data sources and the need to engage with the phenomena in its social settings in order for the researcher to gain comprehensive understanding of the human perspectives (Chen and Hirschheim, 2004). It is however, necessary to mention at this point, that post-positivism, in which this research resides, is not overly concerned about taking a solid objective or subjective epistemological standpoint. This study embraces and maintains the viewpoint that declaring pure objectivism will attract criticism on the possibility of objectivity in a study where the researcher is immersed in the lives of the people under study (Trochim, 2006). Whilst on the other hand claiming pure subjectivism impinges on the research's theoretical perspectives of taking the learner's role or one way mirror view point to achieve objective reality.

The differences in these paradigms can also be felt regarding the types of research questions being studied, the genre used to report the research as well as the style that the researchers adopt to try and provide credence for their studies. In addition, the difference in the two is apparent in the methods used to acquire knowledge, ontological and epistemological assumptions may not differ much.

To sum up, the discussed philosophical assumptions, together with the research objectives and the questions the study is answering, influenced the choice of an eclectic qualitative approach as a research strategy. Philosophically, an eclectic approach suggests that the researcher takes a common sense approach to conduct a research study in the best possible way (Creswell, 2009, 2012). The justification for this eclectic approach comes from the understanding that every research is unique and therefore calls for a unique approach and methodology (Crotty, 1998). Plus the idea that a research should be concerned only with specific approaches and technique is rejected in this study.

6.2.2.2 Rationale for a post-positive stance

Because of the nature of political investment climate, which researchers such as Simon (1984) described as amorphous and intricate, this study is not oriented towards obtaining a reflective single reality in the investment climate of the South African banking sector, but to get multiple perspectives from multiple subjects, in order to piece together the nature of political investment challenges facing investors. Therefore, an epistemological stance that allows the researcher to pursue the phenomenon from such a stand-point is most appropriate. The study concurs with the philosophical assumptions postulated by the post-positivists, hence the reason why the post-positive stance is assumed. Thus, the positioning of this study within the post-positivism paradigm was influenced by the researcher's perception about the world after taking into consideration, the topic under study and the research objectives. The purpose of this study is to try and understand South Africa's political investment climate of foreign investments in a way that is rarely used. Currently, positivistic works dominate the mainstream FDI field, which, in accordance with the corpus of knowledge studied, limits the understanding of pertinent issues in individual countries, let alone specific economic sectors.

The post-positivist approach allows the researcher to see the in-depth picture and to take a distanced view to pass judgement or recommendations (Ryan, 2006). Post-positivists retain objectivity; Ryan argues that, post-positivism objectivity makes it possible to consider the subjects' opinions by looking at individual cases in detail before knitting together their meanings. This position differs from positivist because post-positivist objectivity does not judge from nowhere or reach to a research closure by simply aggregating data (Ryan, 2006). The study lands itself in the post-positive research quadrant instead of the pure-positive because the approach emphasises on finding meaning and the creation of new knowledge through dialogue with people rather than trying to examine FDI inflow patterns across nations using secondary data sets. This study is in concurrence with Eagleton (2003 cited in Ryan, 2006) who argues that when researching social phenomena, there should be a fair degree of interaction and passion, but all sealed with researcher's integrity, honest and self-discipline (Eagleton, 2003 cited in Ryan, 2006) and that constitutes post-positivists' objectivity.

The adoption and use of post-positive research theory also stems from the researcher's belief that the positivistic research position is unable to contribute to theory building, but theory testing. Given the objectives of this study, the aim here is not to aggregate data so that an absolute truth can be determined (Ryan, 2006). The idea is to find multiple realities from those operating in the banking sector and those regulating its functioning in order to learn the strategies or policies working for or against South Africa in respect of FDI inflows. Assuming this view-point means post-positivists recognises life's complexities (Ryan, 2006). Most importantly, post-positivist assumptions are able to support campaigns that aspire to instil change in social, economic, political and cultural activities, for example through this research, non-authoritative propositions that may help inform FDI policy makers will be formulated from the collected data (Ryan,2000) and suggested through scholarly literature and journals.

6.2.2.3 Research approach: Inductive reasoning and argument

A review of literature on the research methodology has established that understanding the research approach is the key to the successful creation and dissemination of new knowledge. Following the two paradigms discussed earlier, we can see that we have two distinct approaches that researchers within each paradigm can assume. Within the quantitative tradition, emerges the deductive research approach: which, according to Trochim (2011), calls for the researchers within, to a theory testing and confirmation or rejecting practices. On the other hand, qualitative tradition bears the inductive research approach, which calls for the observation of patterns forming the phenomenon, in order to postulate theories based on the phenomenon (Trochim, 2011).

The overarching research question of this present study is descriptive as opposed to prescriptive (What are the challenges facing FDI inflows in South Africa?) and this implies that the research is more of an inductive exploration than deductive because the study is concerned about arriving at attributing meaning rather than testing theory. The inductive process, which is also underpinned by the post-positivist stance, is already reflected in the literature review chapter, where the researcher has arrived at perplexing issues that raised the research questions demonstrated in Chapter 1, in which observations of the methodological approaches in literature and the nature of findings signalled some gaps in knowledge owing to the deductive nature of previous studies. It was therefore sensible to approach the research question inductively in order to allow theory to emerge from the situation being studied rather than trying to test and confirm assumptions by prescribing explanatory variables to the situation. Trochim (2011) argues that inductive approaches allows the researcher to conceptualise situations or events, in this case, existing knowledge in the form of literature and policies, to draw out logical factors that can help hypothesise the situation. The tentative hypotheses made in Chapter 1 will be brought forward in the conclusions chapter in a bid to demonstrate the research contributions.

An inductive approach befits a study that is concerned about social events and factors, which in reality, can only be concluded with a degree of probability rather than certainty, because of the multiple meanings and interpretations that can be drawn from the emerging factors of the observations. The present study seeks to comprehend inductively, the fundamentals of the political economy of South Africa in the light of how the political factors encourage or discourage the inflows of FDI in the banking sector.

6.2.3 The rationale for a qualitative research methodology

As highlighted earlier, the purpose of the study is to investigate and identify the political determinant of FDI in South Africa, in order to better understand the effects of political factors upon the perceptions on FDI attractions that are unique to the South African banking sector. Accordingly, the study is guided by the broad research question: **What are the political challenges facing foreign investors operating in the banking sector of South Africa; to what extent, and how do they influence the flow of FDI in South Africa?**

Improving the political investment climate of South Africa has the advantage of improving FDI inflows, which in turn increases the social and economic benefits of FDI to South Africa. Based on how the study came to being, thus the gaps in knowledge, which are mainly attributed to the commonly used quantitative methodologies and deductive approaches, and the need to address those gaps inductively (particularly where the variable in question needs to be understood from the actual individuals point of view), the quantitative methodology was not appropriate for this study.

Philosophically, the post-positivism tradition is commonly associated with qualitative methodology, although not entirely bound to it. A qualitative methodology and the post-positivism paradigm are complementary in terms of their theoretical assumptions and principles because the latter, which prefers that empirical data be collected and explained using qualitative elements and descriptions (Creswell, 2012) does not antagonise the theoretical commitments defined within the post-positivism paradigm. This researcher aims to gain in-depth subjective knowledge about the phenomenon that is insufficiently addressed in the FDI determinants literature, but planned to retain objectivity through the research.

Fore-mostly, the subjective nature of the research focus: **investigating the obstacles in the political investment climate of South Africa's banking sector to investors,** and the fact that this topic has not been given much attention in literature, at least not from a qualitative methodological standpoint or specific economic sector, makes qualitative methodology the most appropriate approach for this study. As a result, there is some doubt as to what is known in terms of what guides policy makers in formulating investment policies or what foreign investors see as attractive or unattractive. The current assumptions that simply claim that South Africa is attractive to FDI, which are observed from the government's website publications for instance, are not academically plausible because they are not adequately supported by empirical findings. Thus, the usefulness of using a qualitative approach comes from its ability to befit research phenomena that are not widely researched, which theoretically means that a research process can start from nothing. By employing a qualitative methodology, this study has been in a position to identify and understand the political investment climate in the banking sector.

A qualitative methodology emerged as the most appropriate methodology for various other reasons beside the one stated in the statement research problem and rationale. A consideration has been made in as far as how the knowledge should be generated and analysed, based on the limitations identified in the existing body of knowledge. The limitations and the gaps identified in knowledge triggers questions such as: how relevant is theory in the light of individual African countries. Specifically, this question is suggestive that the existing theories on FDI determinants do not contribute adequately to the individual countries' FDI determinants knowledge needs. For example, ignoring the heterogeneity of African countries and their business environments and treating African FDI locations as one, and using the econometric models based on aggregated data and a broad range of heterogeneous, manipulated and controlled explanatory variables to explain the drivers of FDI in those countries, raised the concerns over the relevance of theory in the light of individual countries.

This study identified one of the most robust FDI determinants from the existing body of literature and focused on one specific African country and industry in a bid to identify the political challenges to FDI, knowledge of which is significant for painting an in-depth picture about the FDI determinants in South Africa. Talking about gaining a deeper understanding of the characteristics of the investment climates of FDI into South Africa from the perspectives of the present operators, observers and actual policy makers and regulatory agencies in the banking sector, qualitative methodology allows the consideration of the subjects' real experiences (Parker and Roffey, 1997) which in actual fact, gives them a 'voice' when their personal perceptions are captured and used to construct an elongated account of their phenomenon. For example, as a qualitative approach would allow, dialoguing and having informal conversations with the government informants help build trust and later opening up to share information which is so vital to getting their innermost feelings on economic policy making. As Buckley and Chapman (1996: p234) said 'qualitative research goes beyond the measurement of observable

behaviour', which answer the 'what' question, to understanding meaning and beliefs underlying the actions, which answers the 'how' and 'why' questions' characterising this study.
Also, the study stands to benefit from using a qualitative approach because of its privileging reflexive relationships during data collection and its flexibility that allows the use of multiple data collection tools and to consult multiple data sources, all of which renders it a rigorous and quality assuring methodology. For example, the study seeks evidence from three different categories of subjects and uses interviews as a primary data collection tool. This study consulted multiple data sources for multiple perceptions of different organisations and individuals within the banking sector through company interviews, company homepages, business papers, journals, annual reports through document analysis. Archival records have been useful in collecting data on company strategic plans for example, in which companies present their foreign investment plans, given the investment climate in which they are operating. The consultation of multiple sources of data was critically important for this research as the triangulation of data sources formed the basis of the research plausibility (Patton, 1980; 1988; Yin 2003). Triangulation of data sources, theories or methods whichever necessary, gives the researcher the opportunity to view or approach the research problem from different perspectives (Stake, 1995; Yin, 2003; Flick, 2009). Baxter and Jack (2008) posit that a qualitative approach helps explore a research phenomenon using a variety of data collection methods from various data sources thereby gaining an in-depth understanding from multiple facets of the problem. More still, a qualitative approach allowed data to be collected over a long period of time and even in phases (Miles and Huberman, 1994). This has been ideal for this PhD study because data were collected in phases, allowing this researcher to go beyond just cross-sectional snapshots, especially when there was need to revisit and re-interview subjects for more data. The flexibility of a qualitative research strategy enabled the changing and switching of the research map or questions to accommodate the ever-evolving nature of the current phenomenon.

Right from the designing, data collection and analysis of the findings, the characteristics and nature of qualitative research allows the political climate to be studied by immersing with the actual decision makers in FDI inflows. Unlike quantitative methodology that often lacks the serendipitous discovery advantage, qualitative methodology enabled the embracement of emergent situations and responses that deepen understanding of the problem in order to better understand the political factors intrinsic to the South African FDI investment climate in the banking sector. This study is concerned about the quality of findings, their relevance and usefulness rather than quantity and wide generalisations. Thus, a small study that yields useful findings is better than a large study that fails to satisfy the knowledge needs of its end users. Moreover, an exploratory inquiry, which gives freedom to obtain, explain and/or describe findings in a meaningful and rich qualitative format that communicates effectively to the research audiences, is appropriate (Miles and Huberman, 1994). Exploratory and explanatory studies according to Robson (2002; p59) are a very valuable way for discovering what is happening and finding new insights, particularly so when the intention is to find a deeper understanding whilst maintaining some degree of close collaboration between the researcher and the researched community (Saunders et al. 2011).

A qualitative approach is most appropriate for this relatively small research, in which comprehensive and in-depth understanding takes high priority than the breadth. Previous studies on similar and related topics rely on quantitative approaches such as quantitative surveys that have the tendency to limit the depth of understanding in favour of breadth. Thus, surveys involving multiple country and multiple sectors that use prefixed variables from which participants highlight their experiences. For instance, the use of structured generic prescribed questionnaires that cover very large geographical areas such as studies by (Morisset, 2000; Asiedu, 2002; Basu and Srinivasan, 2002), and most of the Ernst and Young, IMF, World Bank surveys, are not providing a satisfactory platform from which the industry players can air their experiences about the political investment climate of South Africa. From this researcher's viewpoint, quantitative measures have allowed the overlooking of important nuances needed to understand the political investment climate of South Africa. Markusen (2005) once argued that FDI is not only affected by quantifiable factors such as inflation or interest rates that most studies focused on but by unquantifiable factors such as investor experiences, attitudes and actions of host countries, which this study seeks to investigate. Little or no research has been done to find out the experiences of foreign investors in South Africa's banking sector, apart from a recent research by Tuomi (2011) who used micro-data and firm interviews to explore the role of foreign direct investment drivers in South Africa. However, as mentioned earlier, her study is a cross-industry analysis, and just like other existing studies, does not focus on any specific FDI factor or expand knowledge on the existing and already known problems associated with the attraction of FDI in South Africa.

Furthermore, the study is concerned with finding insider knowledge and insights in detail, of a contemporary phenomenon that lies within real life contexts rather than the discovery of some statistical representations using datasets or prior knowledge. Thus, the purpose of the study is not to evaluate how macro factors such as inflation or interest rates in South Africa influences foreign investor location decisions, but to investigate and explain the range of experiences of foreign investors, which could be various non-quantifiable FDI factors such as their opinions on the FDI policies or the effectiveness of FDI attraction strategies. For this to be feasible, the study has to employ methodologies that allow the phenomena to be investigated using lenses that are not blinkered by philosophical commitments and rigid designs with predetermined constraints, but are flexible and permit more than just an arms-length investigation.

As outlined in the overall research framework in Chapter 1, one of the major contributions of this study is to provide in-depth understanding of the FDI challenges and obstacles to the concerned decision makers within the context of the study.

In the view of this study, creating a scientific econometric model to interrelate variables in order to find either a positive or negative relation between them in the attraction of FDI is insufficient because such a model does not explain why investors prefer or do not prefer to invest in South Africa. It will not be clear how significant each variable is to foreign investors unless they are explained. The qualitative strategy proved to be more helpful for pursuing the research question than the econometric models that have been common for use in investigating similar phenomena as it allows the researcher to be closer to the organisations more than would be allowed by positivistic strategies such as surveys and experiments (Ryan, 2006). The strategy can also help to discover the foreign investors' characteristics, motives and attractions, then create readable descriptions for richer understanding by policy makers (Eisenhardt and Graebner, 2007). Moreover, foreign investment suggestions and recommendations that this research formulates are best presented in thick qualitative descriptions and explanations that can be comprehended by people with or without scientific background, which is usually a necessity when interpreting quantitative data. This research therefore, challenges previous research positivistic approaches which, in the view of this study, failed to close the gap in literature due to quantitative methodological shortfalls, and seeks to address this methodological gap by employing a qualitative methodology and marrying it to the post-positive perceptions in order to retain objectivity.

Finally, Bryman (2008) wrote 'consideration of the researcher's experience and skills is equally important in deciding a research methodology. This researcher's assumptions on what constitutes as knowledge, which knowledge she privileges, and indeed how that knowledge came to being should not be disregarded in this study. Firstly the researcher has a good base of previous successful experience using the qualitative research strategy from Masters' degrees in International Business Management and Research Methods for Business. The skills and knowledge from then, puts this study at an advantage because the researcher is not starting from a novice footing. Secondly, she believes that, to be well knowledgeable about the field of FDI, there is a need to immerse directly into its real contexts and have personal feel and attachment with subjects and data rather that comprehend the phenomena from a distanced view. However, such reflexive interaction should not be considered as intervention but as part of knowledge construction process because, as far as this study is concerned, objectivity is maintained through the researcher's position.

Over and above however, the study is guided by the research questions that emanated from the identified gaps in knowledge discussed in the literature review chapter, which compelled this study to move away from the quantitative and positivistic research approaches that are dominant in the FDI determinants research, and to choose approaches believed to be suitable for exploring the research questions of a complex phenomenon with multiple pluralities, in order to achieve the goals of this study. To bring in Wright (1996: 70) assertion, qualitative inquiry best suits this study as it may help provide answers to a very complex phenomenon that involves political inferences in the management of economic activities such as FDI. This means the research is likely to discover how and why policies are formulated in a certain way through close contact rather than distant and longitudinal comparisons.

The up-coming section first discusses the key concepts and characteristics of the chosen research strategy before justifying why it is regarded as the most suitable approach for the present study.

6.2.4 The qualitative interviews as a research strategy

The study is directed by the research question "What are the political factors and challenges to foreign investors in the banking sector of South Africa?" which implies that the study is seeking for perceptions and opinions, as well as explanations and descriptions of a phenomenon under study. This kind of detail and meaning is what is missing in the existing FDI determinants literature. In order to access such engraved information, a subjective strategy of inquiry is recommended, for such a way of conducting a research allows the actual people to voice and even clarify their opinions. Such in-depth detail is fundamental for feeding forward into theory and policy. The research strategy for this research is therefore qualitative interviews (also referred to as qualitative survey if the research is systematically designed with regards to its processes and procedures but not limited in terms of flexibility (Jansen, 2010). Qualitative interviews involve going out into the research field asking people questions and making follow ups on interesting issues in order to fully comprehend the phenomenon. Responses are allowed to be uncontrolled or manipulated by the researcher, and this has the highest potential of yielding useful insights to theory. A definition by Easterby-Smith, Thorpe and Lowe (1991) best suits the purpose of this study. They concur that qualitative interviews are appropriate when there is need to understand the constructs on which the interviewees base their views and opinions, which they then use to describe their experiences, explain the challenges they are facing or predict their future.

There are various other reasons for choosing a qualitative interview strategy. Qualitative interviews are suitable for researching phenomena that requires different levels of meaning to be explored, and where the goal is to understand a particular topic from the subject's perspective by exploring how they come to have that perspective or view, as well as explore the meaning they assign to their phenomenon (Kings, 1994).

With regards to the present study, literature reviews show that the quantitative methods such as econometric surveys or FDI performance indexes commonly used in the field of FDI are not good at probing reasons why South Africa is attracting or not attracting FDI. Moreover, econometric surveys yield the same results which this study argues; are not relevant for informing FDI policies that are specific to South Africa (see limitations in the literature review chapter). Qualitative interviews allow this researcher to find individual meanings, attitudes, opinions and views of the research participants, which will enable real stories regarding their experiences, motives, anticipations to be told to other researchers, scholars, policy makers and many other interested parties. In essence, qualitative interviews are conversations that are guided by the interviewer to varying degrees (Kvale,2008) and would therefore be very insightful and provides guidance to conducting effective and purpose-fulfilling research (Arthur and Nazroo, 2003).

This study stands to benefit from using subjective strategy because interviews allow participants to open up and provide more detailed views, experiences and ideas on their investments and interactions within a business sector. In the existing body of literature, there is a tendency to depend on aggregate data, which, in the view of this study, has accounted for the lack of the implicit detail needed to conceptualise clearly, the nature of the political challenges facing investors in South Africa's banking sector. Interviews are appropriate methods to access individual level data, which could provide both explicit and implicit accounts about a factor that has emerged as a robust FDI determinant across most of the cross-country surveys in African locations. According to Kvale (2008) interviews are purposeful discussions that can be conducted between two people or more, thereby giving the advantage of connecting the researcher with the empirical reality under study. They are also thought to be a valuable tool for data collection because they enable a researcher to elicit valid and reliable data perhaps more economically compared to observational methods for instance. Alvesson and Deets (2000) said 'interviews are a very difficult method but highly useful in qualitative research.

To add on, Yeung (1995) identified and outlined several advantages of qualitative interviews learned from his study of the transnational corporations in Hong Kong. Interviews made it possible to focus directly on the firm by firm experiences given the three distinct research organisations. This study concurs with the view that personal interviews afford the researcher a subjective interaction with the subjects under investigation, which is often not experienced in quantitative surveys. Furthermore, interviews allow flexibility and adaptability regarding research subjects and contexts according to Rubin and Rubin (1995) which made the process fluid, as making follow ups on fundamental arising issues, discourses and cues became possible (Glaser and Strauss, 1967).

Most significantly, interviews were most suitable as this study sought to find out the most salient but fairly intrinsic viewpoints of the policy makers on what motivates or drives the formulation and implementation of FDI-related policies. This is because both the researcher and the interviewee become less self-conscious as discussions would be in confidence and privacy without external influence or distractions. Bayes (1983) cited in Hartigan (1983) argues that interviews give the researcher the opportunity to probe deeply into sensitive clues and dimensions that may arise during the interview, which in the context of this study, led to the discovery of how policy makers think, for example, the political and economic ideologies behind the economic policy frameworks for the business investment climate. It was also discovered how easier and comfortable interviewees were to talk about sensitive issues which may not have been the same using other strategies such as quantitative surveys that utilises prescribed questionnaires. People were more friendly and willing to show off their opinions and knowledge. Although not all relevant, it was clear that the opportunity they were afforded allowed them to talk freely, plus the assurance of confidentiality, boosted their confidence and mostly trust. Achieving trust and rapport between the researcher and the participants was critical for probing and achieving the depth that this study sought.

The other merit is that, interviews ensure a high response rate therefore compensated for the shortfall of other methods. From the researcher's experience, the present participants were much more willing to express their views verbally than they did when they were contacted through emails for example. Further, interview strategy promoted internal validity as the researcher had the opportunities to check for clarity and meaning with interviewees during interviews.

6.3 The research design and process

The rationale for focusing on South Africa and the banking sector has been provided for in Chapter 2. In this section, the research design and process employed in order to answer the research questions is explicated.

This study is iterative and multiphasic: starting from defining the key research questions; designing and creating the interview guides; identifying and recruiting participants; conducting interviews and analysing data. Iterative in nature because, although it may seem like a linear process, it is not practically, for example, some participants were recruited during the data collection phase and some data were analysed soon after collection. There were also times when the researcher needed to contact participants during data analysis and writing up, making the whole process a cyclical expedition.

6.3.1 The unit of analysis and the research sites

Focusing only on the banking sector, the research had to adopt a systematic approach in order to select participants with the most suitable characteristics relevant for answering the research questions. Fore-mostly, in order to identify potential organisations to include in the study, the convenient sampling technique was utilised. Convenient sampling entails identifying potential respondents at the convenience of the research, particularly in as far as time and cost was concerned (Suri, 2011; Morse, 2010). Thus, initially, the researcher searched for information on the key players in the banking sector of South Africa by surfing the internet, listing down potential organisations. This means that the initial list of industry players that were deemed relevant to the study was compiled at the convenience of the researcher without much effort, for example travelling to South Africa, because of technological convenience. Internet searches were fast and free from anywhere where there is internet connection. The Reserve Bank of South Africa's website provided vital information about the FDIs, for instance, web addresses, physical addresses, telephone numbers and even names of the senior officers in the key informants' organisations. The research decided to include the bankers, the government officials and the intermediaries as the key research informants (see the following sub-section 6.3.1.1 which rationalises the decision for the key research informants, and their descriptions).

Armed with a list of bankers, identified government departments and intermediaries, the researcher embarked on a more purposeful sampling exercise, known as purposive sampling (Marshall, 1996; Cohen and Manion, 2004; Onwuegbuzie and Leech, 2007) in order to identify suitable participant organisations and persons. The researcher continued using web-searches to handpick organisations and individuals with characteristics suitable for answering the research questions, then started making contacts by email and telephone, as suggested by (Cohen and Manion, 2004). Since the aim of the study is to get a comprehensive picture of the sector, purposive sampling was a suitable technique to utilise for identifying participants most likely to provide relevant and adequate answers to the research questions. Purposive sampling, according to Cohen and Manion (2004) entails handpicking the research participants based on their involvement or statuses in the research field. It is assumed that when the process of sampling research participants moves on to become purposive sampling, the researcher commences a more purposeful and focused research on the potential informants in order to get their contact details, job descriptions and any other salient details necessary for deciding their suitability in respect of the purpose of the study (Cohen and Manion, 2004).

The number of the participating organisations or the individual participants was not pre-determined before the start of the study (Patton, 1990), which allowed more participants to be taken in as and when deemed necessary. Thus, in the later stages of participant selection exercise, the snow ball sampling technique became handy, thanks to the flexibility of the qualitative research approach. This technique proved the most effective way of recruiting respondents because additional lines of enquiry were sought from other participants with who trust was already built. The chain or snowball technique (Yin, 2006) was also used by means of LinkedIn social media to continue recruiting more participants as and when necessary. It was not automatic that very senior people respond and connect with a stranger on LinkedIn. To get past this problem, the researcher asked for permission from already connected networks to act as referees to potential connections.

To identify potential research organisations, the researcher used the research title, objectives and research questions (see research framework in Chapter 1). Three categories representing this research were identified, namely, the foreign and domestic investors, the government officials, and the intermediaries, who are all drawn from the banking sector of South Africa.

Figure 7 below outlines the research categories within the unit of analysis before moving on to discuss the sampling procedures.

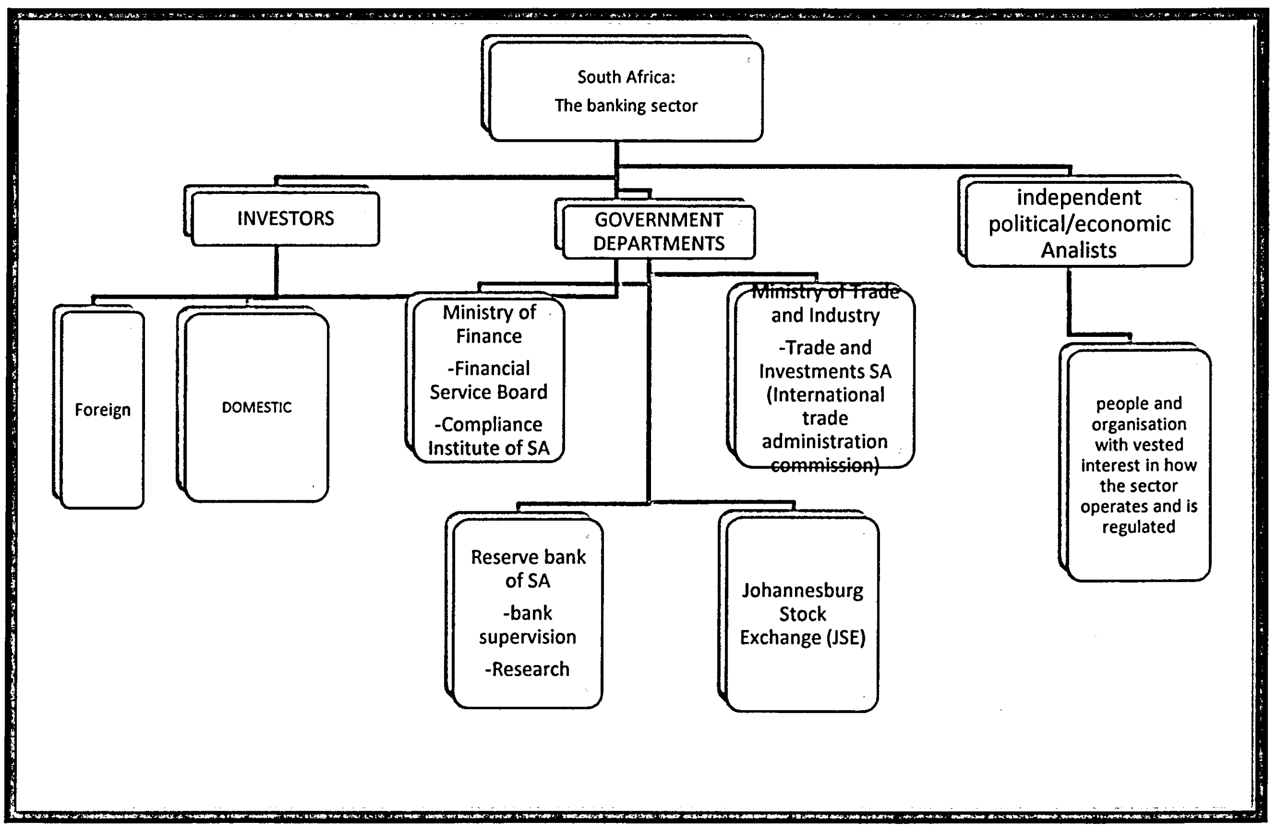

Figure 7: The unit of analysis and the research sites
Author (2013)

According to South Africa Financial Sector Forum and the Chamber of Commerce directory online, there are 7 foreign banks and 15 branches of foreign banks registered and operating in the banking sector of South Africa as of January 2012. Johannesburg, as one of the world's leading financial centres (World Bank, 2009) and was ranked number 28 out of 62 in the World Economic Forum (2012) report on world developed financial sectors, has been a natural location for research. Pretoria (also known as Tshwane) was also relevant because banks or relevant government offices are there.

6.3.1.1 Key informants to the research

The key informants were drawn from the above identified organisations representing the three major clusters of the research population.

Bankers comprised of both domestic and foreign investors, and these are the organisations at the receiving end of the government policies and regulations. There are two categories; domestic and foreign banks, and both branches automatically qualified as participating organisations. The significance of involving both domestic and foreign investors arose from 1) the researcher understanding that political challenges to business operations may be inseparable in terms of who is affected and why. Therefore, both their input was important particularly when the research is seeking a more comprehensive detail on the phenomenon. The study sought to identify the political challenges to operations in the banking sector, in order to paint an in-depth picture of the South African political factors to FDI. The triangulation of data from key industry players was therefore seen as paramount to the achievement of this overarching objective. 2) The need to draw from the local investors input, data that could be useful for reinforcing, supporting or interrogating the emerging findings from foreign investors for example, whenever necessary.

The government is at the centre of policy making, enforcement and FDI attraction, and the key government participants were drawn from policy making and enforcement departments. Their input was important for deepening the understanding, and then describing the nature of political investment climate of South Africa.

Intermediaries entailed private organisations with a vested interest in the regulation, operations, or the attraction of investments in the banking sector. The nature of their roles and their functions include: political/policy and economic advisors and analysts, banking sectors commentators and observers, investment advisors and FDI trackers. Their input was regarded as significant because of their neutrality due to being independent from both the government and investors.

Ultimately, the 3 research stakeholder units described here, led to the identification of key research informants, who were potential contributors of the empirical evidence significant for answering the set research questions.

The table below profiles the key characteristics of the participants' organisations in terms of their roles and responsibilities in the banking sector.

Table 3: Key characteristics of participating organisations/persons

Specific participating organisation	Key characteristics relevant to the study	Job titles of the specific participants included:
Foreign and Domestic banks	-Commercial, corporate and retail banking and financial services -On the receiving end of the government policies and regulations -Utilizers of government services	-Chief Executive Officers -Branch Managers -Regional Bank Managers -Public Relations Managers -New Business Development Directors -Director of Operations -Investment Risk Analysts
Government departments	-At the centre of policy making, enforcement and FDI attraction efforts -Investment support network -Service providers to business operators	-Various Directors: Trade and Investments South Africa - Directors: Bank surveillance and regulatory departments -Compliance Director
Intermediaries	-Political and policy advisory and analysis -Economic advisory and analysis, -Commentating and observing banking sector activities -Investment advisory -FDI tracking and recording.	-Economic Analysts (financial markets) -Political Analysts (financial markets) -Regional Investment Advisors (FDI) -Country Investment Advisor -Economic Policy Analysts -Investment Analysts

Author (2015)

Figure 8 below illustrates the research category linkages

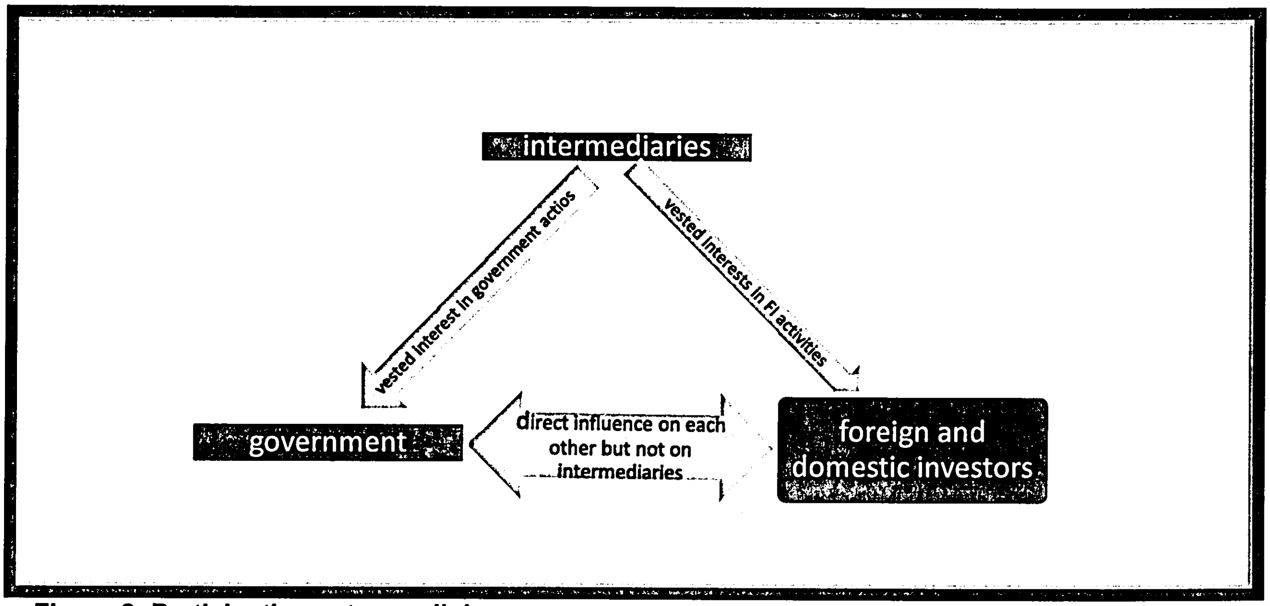

Figure 8: Participating category linkages
Author (2013)

6.3.2 Gaining access

The success of this study and indeed any empirical study is determined by the accessibility of the intended research participants (interviewees) and being granted the permission to access the data relevant to the study. This is usually because the researcher is in a weaker position if it is he or she asking the organisation(s) to give him or her data, unless it is the organisation's request that the study be conducted (Gill and Johnson, 2010).

Just like other research, this researcher had to answer the question such as "what is in it for us?" in order to motivate and trigger the desire to participate. For example, it was problematic to get people with high levels of work to read information packs or to explain to them the purpose of the study. Some organisations referred all inquiries to their Headquarters or public offices, whilst others thought an educational study is not worth their time, purely because it was scholarly and was the least in the order of their priorities. For example one Operations Director said, "is this not a waste of time really, PhDs are not the sort of thing that can make things happen or help change anything anyway". Someone else said "I did my PhD and have not used any concept from it in real life" (Senior Public Relations Officer, foreign bank 1). But some organisations, despite their overloaded schedules and arms long lists of priorities, acknowledge this study's academic prestige and cooperated all the way from the initial contacts through to the end. Emphasising the power of academic studies in influencing the way people think through education helped convince some of the sceptics.

Various writers warn about stress problems in trying to gain access to elite groups in organisations (Walford, 1994; Ostrander, 1995; Duke, 2002) which this study took heed of in approaching and communicating with identified organisations. To begin the access process, the study had to furnish all identified organisation with information about the research, thus, its purpose, the interviews and the intended outcome. In order to answer the question "what is in this research for us?" the study needed to make the organisations visualise the long term benefits of the research by informing them of the potential changes that the research may instigate in as far as FDI policies are concerned. For example, highlighting that their participation might give them, for the first time, a platform from which to air their views about the advantages or disadvantages of the investment climate in which they are operating. As for the politicians and policy makers, motivation to participate was none other than the knowledge that they are doing something good, something highly appreciated in their policies which researchers have identified and would like to spread their good deeds through research.

6.3.3 Recruiting participants

Because the study focused on the strategic decision makers who have high ranking roles and hold powerful positions, getting any reasonable responses within planned or expected time was never achievable. In most cases, a response came after 3 or 4 attempts, taking more than 2 weeks at any one time to recruit only one participant. Some never responded and many just excused themselves with great regret. However, such challenged were addressed using several techniques.

For example, the non-responsive constraint was resolved by the presence of this author during the initial field visit. It was evident that people preferred or respected face to face inquiries rather than emails or telephone, as it was discovered that the South African gatekeepers were very helpful in a face to face scenario. Once this researcher was in South Africa for the first time, out of the 17 meetings that were prearranged, 10 informal meetings and discussions were conducted. The informal contacts with the companies were not only with the targeted participants but with any member of the managerial team. The aim was to get known by someone in the organisation. The strategy proved to be very effective because once inside, many doors started to open up as one person spoken with about the research, would often point towards the relevant department or persons. The South African cultural aspects and influence during access phase should not be underestimated as it was apparent in the behaviour of some participants, for example, males' eagerness to help a female researcher. Walford (1994) argues that female researchers may be at an advantage in being perceived as harmless. Males from highest levels of power were willing to help perhaps more than they would with a male researcher in order to show off their power and authority. For example, they were less wary about agreeing to interviews and a senior manager in one organisation invited this author to a cocktail party where there was an opportunity to meet and get contacts from many other potential research participants who were guests at that party.

Another strategy that proved efficient was networking with fellow PhD students at various South African universities in fields such as trade and investments, political economics, business risks in South Africa, who linked this researcher with senior academics who have written papers on foreign investments into South Africa for example. Through conferences and research seminars, the researcher met and remained in constant touch with academics from the University of Witwatersrand – Wits Business School, Johannesburg University – Faculty of Management and University of Pretoria - International Management Department, through whom this researcher has been accessing university libraries and relevant online journals.

After identifying the research respondents, the final task was to get personal contact details of the relevant people to answer the actual interview questions that were meant to help in answering the primary research questions. At first, this was not easy because of the unfamiliarity between the researcher and the potential participants. Carnegie (1951) teachings were found useful. He wrote that if you want people to be genuinely interested in yourself, you need first to become genuinely interested in them. He advised that one can only gain access to somebody, and be in their good favour, if one learns about them and their interests. The process is reciprocal, those people will think well of you in return. People need to feel that their importance is acknowledged and appreciated and one can disarm people by showing them that their importance is appreciated, that way, they will not have to make a point of proving to you that they are important because they already know that you think they're important. Carnegie (1951) suggestions implied that, people's defences will be lowered and they will be much more likely to help you. This is the teaching that helped establish and maintain a rich network of potential participants remotely.

Armed with the people skills, social network tools such as LinkedIn and Facebook were used to identify and initiate a professional relationship. These internet tools were very useful in getting to know and connecting with relevant people for this study. These sites are quite rich and informative in terms of the organisations and individuals profiles. The researcher was able to identify and select suitable persons from the profiles on LinkedIn. From there, she made direct communication to a person holding a position of interest using email on LinkedIn messaging and telephone at times. Of all these means of communication, LinkedIn professional networking site was the most effective and efficient because of the number of responses compared to other Media. The researcher was able to connect with significant research subjects and had access to view their connections, most of which would be linked to other significant subjects for the study. Once contact was established, the researcher introduced the persons to the research by sending information packs that included an introductory letter, the information sheet that clearly stated the purpose of the research, a consent form listing their rights, ethical issues as well as contact details of this researcher and the University supervisory team. In most cases, people contacted were the rightful persons for the study purpose but whenever the person felt he or she was not the right person, they would mention the name of the person they knew was the appropriate respondent, resembling the progressive snowballing sampling technique which began during the pilot study in April – May 2012.

It was important to establish a long lasting relationship with the potential participants. After accessing and having most of the research respondents within her communication network, the researcher built and nurtured the friendly but professional relationship by continuously communicating with them on a regular basis through social networks such as Twitter, Facebook and LinkedIn. For example, the researcher 'followed' them on these social networks, commenting on their postings or writing on their virtual walls.

One useful technique was suggested by Carnegie (1951) who wrote that taking time to find out about the things that other people do well or that are of interest to them, is a useful strategy for building a relationship with people. Carnegie (1951) stated that, people are won by establishing positive reinforcement, anchored in honest and sincere appreciation. In respect of this study, taking interest in the career or personal interest of identified participants was a strategy that helped this researcher to gain their attention and in turn, interest in what she was also doing. As a matter of fact, some of them started following the researcher on the same networks, a positive indication that they were interested in the relationship. Plus, being followed or connected with some of the powerful individuals strengthened the researcher's position in terms of gaining trust, and mostly in terms of facilitating further recruitment of more potential participants. By so doing the researcher and the participants became familiar with each other. Familiarisation before the actual interviews was helpful because it helped reduce tension during interviews, which is common when strangers meet. The rapport with the study participants was built on trust, respect and honest agendas of the study, which were communicated to the respondents from the outset.

6.4 Data collection methods

There are various data collection techniques that can be employed in a qualitative study, for example observations, interviews (open/closed), document reviews, questionnaires, archival records, field notes, diaries and many others, but they depend on the nature of the research problem, the research questions and objectives (Stake, 1995). Two main data collection approaches were adopted in this study, namely, in-depth interviews and document /internet sources, although field notes were also accessed for clarity and verification purposes.

6.4.1 Semi-structure interview technique

This study relied more on in-depth interviews because, although the FDI determinants question is not new in South Africa, this study aims at deepening knowledge from the already deductively known factors, and this knowledge was to be generated through contact with the actual affected or effected people.

Qualitative approach is exploratory in nature and it champions employment of qualitative interviewing approach using semi-structured open-ended questions (Flick, 2009:25). The current research questions were descriptive and thus imply exploratory and inductive approach. Given the research questions and the kind of knowledge or answers that this research is seeking, data collection technique that allows a blend of exploratory and explanatory approach is most suitable for this study. In this study, the intention was to gather complex information that comprises high proportions of individual opinions and experience in order to establish an in-depth understanding of the foreign investment climate as well as finding out the views and attitudes of policy makers towards FDI, semi-structured interviewing technique based on interview guides was deemed the best option. Kvale (2008) holds that semi-structured interviews are good for finding information that the researcher could not get anywhere else or the information is believed to be intrinsic or found in people with certain statuses or positions. Trying to see things from the investors, policy makers and interest groups' perspective land this study into employing semi-structured interviews with open-ended questions. Because of the interview guides, this style of interviewing puts this study at an advantage given the fact that the study involves interviewing elite people with a very high degree of authority (Welch et al, 2002).

Predesigned questions help keep the interviews focused despite power imbalance between the researcher and the participants. Longhurst (2003) pointed out the advantage of using semi-structured interviews saying it allows power to be tipped in the direction of the researcher thereby gaining some level of control over the interview process. Walford (1994) concurred, emphasising that the use of set questions as a guide allows power to be reversed and is particularly good when interviewing elites. Another advantage is that of efficient use of time. Elites may not have time due to their tight work schedules, therefore going straight to questions makes it faster both during interviews and data analysis because data will be already systematised, making it easy to synchronise. Furthermore, although pre-structured by means of interview guides, they still allow great flexibility between the researcher and the interviewee. The priceless advantage lies within the iterative nature of semi-structured interviews as depth of understanding is achieved when further questions or insights are brought in during the interview. However, the researcher was aware of the pitfalls that may be caused by the iterative nature of semi-structured interviews and guarded against compromising on focus by flexibility.

For example, the use of semi-structured interviews brought in one major practical implication. Obviously interviewees will bring in different kinds of perspectives and responses to questions. This requires the researcher to continuously identify major themes in every interview and to review interview questions and topics for the next interview. The volumes of qualitative data generated from semi-structured interviews meant that the researcher would have numerous themes from which to select themes relevant for the study's focus. From the researcher's experience, interview guides were a very good tool for going around this problem. Throughout the data collection process, topics on the guides were modified, dropping off or taking on significant topics as per respondents' responses and the clarity of the focus.

6.4.1.1 Interview guides

From Kings (1994) understanding of semi-structured interviews, the structures of these sort of interviews vary, but are often characterised by a high proportion of searching questions to explore situations relevant to the interviewee. The best way to achieve these characteristics is by using interview guides. By using a low degree of structure suggested by Kings (1994), participants were afforded an active opportunity to bring in issues they perceived relevant and significant to the topic under discussion.

Prior to the actual interviews, the researcher sent guide questions to prospective organisations. This served two purposes: first, made it possible for the organisation to direct the paper to the right person to be interviewed and second, gave them ample time to prepare for the interviews. The objective here was to translate research objectives and major research questions into specific questions that were to be broached to the interviewees.

Developing interview guides was essential due to the fact that (1) they provided a logical structure that facilitated the consistent flow of interview discussions, which means questions guiding the interviews were synchronised ensuring uniformity even though an unrestrictive approach was employed (2) they helped the discussions to stay focused in relation to the overarching research question. They ensured that the same general topics were discussed, which means information was collected on similar issues across the research sample. In line with the aims of the study, interviews were not meant to be blinkered by directing the interviewees' line of responding but providing a guide helped bring discussions in line with the purposes of the study. (3) The personal characteristics of the interviewees (organisation elites) may dominate the interview, a pitfall that was successfully managed by use of interview guides. Thus, this strategy was regarded as useful for this study as it was seen as a helpful tool for use in interviews involving elites because it helps the researcher to keep focused and in control (Kings, 1994; Cohen and Crabtree, 2006). It is argued that elites can present a myriad of challenges to the interviewer, making it difficult to keep the research focused, thereby diminishing chances of gaining feedback relevant to the research questions (Richards, 1996; Harvey, 2011). (4) Finally, because the researcher sent interview guides together with an information pack to the potential respondents before the interviews, this researcher is confident that only relevant people knowledgeable about the pre-suggested discussion topics participated in the study.

Overall however, the use of an interview guide in this study does suggest that the framework of questions was rigid; the researcher modified the interview guide to embrace new ideas from participants and whenever the research focus became clear, as the process of data collection progressed. Wherever the identified subject felt they were unable to answer the question, they referred this researcher to someone who could. Kings (1994) emphasised the need to access appropriate persons who can provide relevant answers to the research questions, thereby contributing to the validity of the research. Interview guides also played a significant role in minimising researcher's bias afforded by the researcher's positionality in terms of philosophical and theoretical stance. The flexible nature of qualitative approach needed some pre-set guidance to reduce the influence of the researcher during interviews.

In the context of this study, a basic framework of questions that guided the researcher, allowing her to stay focused, and at the same time granting freedom to probe in the direction the interviews took, was formulated. The guide was conceptualised from 1) the questions, topics or themes observed from the body of knowledge outlined in the conceptual framework presented in Chapter 5, Figure 5, 2) the main research questions that the researcher consistently referred to in order to trigger own memory, and 3) own experience on the research learned through reflecting on early interviews. Thus, in essence, the guiding questions were formulated by analysing and iterating between the research questions, aims and objectives, as well as concepts conceived from the current knowledge, insights emerging during interviews and the researcher' FDI field theoretical perceptions.

The guide focused on questions that sought to find out the experiences, opinions, views, anticipations of the government, investors and intermediaries on the investment and operational policies, regulations and strategies for FDI attraction in South Africa's banking sector. All questions were open-ended as suggested by Hollway and Jefferson (2000) therefore, the use of interview guide was never restrictive in as far as the respondents' responses were concerned. The researcher, in developing the interview guide, employed the 'no leading question' approach (Dawson, 2009) but favoured the use of prompts and motivational cues to help open new insights or deepen discussions. The prompting strategy worked well especially with policy makers, who were mostly politicians, as they would talk passionately about their political career, deviating from the focus of the study and only to come back to the relevant discussion when prompted.

In developing the interview guide, the researcher considered insights from existing knowledge on how to formulate interview guides. In particular, Dawson (2009) and Cohen and Crabtree (2006) suggestion that questions should be kept short and simple, and Kvale (2008) for suggesting that they should not be too specific and most importantly they should be relevant to interviewees. The interview guide used to capture the participants' views on the political challenges to investments in South African banking sector is presented as table 4 below. First however, note that the framework of questions formulated prior to the fieldwork and was used during the pilot study, precedes the one developed after the first few interviews. Also note that it is this prior framework of questions that was then fine-tuned by reflecting on the pilot study and the first few interviews in order to draw up the interview guide that guided the discussions with the participants (See subsection 6.4.1.2 below which discusses the pilot study and lessons learnt from the early interviews). Below are frameworks of questions that were used to guide the interviews.

The initial framework of guiding questions formulated before interviews

- What are the challenges facing investors in the banking sector, how do these challenges impinge on FDI inflows, and what effect do the challenges have upon the inward FDI perceptions?
- What characteristics of the political investment climate matters to the current investors in the banking sector?
- What are the political factors encouraging or discouraging FDI?
- What characteristics of the political investment climate matters to the current investors and to what extend do conditions of political investment climate matter to FDI?

Table 4: Interview guides: List of questions formulated upon reflecting on the first few interviews

- Prevailing social and economic situation defined by the eg widespread strikes, violent crime, individualistic behaviours, demonstrations. How do these challenges impinge on FDI inflows, and what effect do the challenges have upon the inward FDI perceptions?
Any disruptions or destructions seen or experienced Any losses in terms of money, time, assets, threats to life
- The responsibilities of the government in meeting socio-economic goals eg the capability or ineptitude of the government to alleviate socio-economic challenge
-The general political atmosphere surrounding businesses and government and the attitude of citizens
- The effectiveness of government policies on socio-economic aspects - is it a level playing field - any policy concerns in terms of restrictions - any operative challenges that are politically related
- The direction of political movement in the face of socio-economic circumstances and the anticipated FDI policy direction eg the mushrooming of political parties with divergent political, social and economic views and objectives.

Author (2013)

It is significant to mention that 1) in addition to seeking information on the current state of the political investment climate, it was intentional to try and seek respondents' opinions on the effects of the current political investment climate on South Africa's FDI attractiveness in order to better understand the political factors and risks likely to discourage FDI inflows, 2) during interviews with all the groups of participating organisations, an attempt was made to steer the discussions in the direction of the above framework of questions in order to remain within the focus of the research, 3) all respondents were asked similar questions but not in any particular order. The flow of questions and the researcher's approach depended on the category from which the interviewee was coming from, and 4) whenever deemed necessary, extracts from respondents statements were to be imported and highlighted in italic font during data analysis and discussion. To maintain confidentiality, only the designation and the stakeholder category is assigned to the quote in brackets.

6.4.1.2 The pilot study: Lessons from early interviews

A pilot study was conducted in order to test and refine the research questions, the interview guides and to hone the researcher's interviewing skills. Data yielded from the pilot study was analysed in the light of the overarching research question, which helped in the redesigning and refinement of the primary research questions in line with the research objectives. This process was done in order to allow the interview guides to pursue questions that meet the research objectives rather than those that would fail to engage participants or would fail to elicit expansive discussions.

Yin (2003) suggested pre-testing the research design in order to discover and rectify flaws should there be any. Piloting the study brought many advantages that helped limit the methodological challenges. For example, testing to see if the research design, particularly the data collection tool, had any defects or shortfalls, making sure that the whole research design fits well together and is practicable (Bryman and Bell, 2007). Also, it was an opportunity to practice and get familiar with the data collection methods, particularly the interviews, in order to evaluate and appraise the interview guides. To borrow and use Naoum's (2012) words, piloting the study methods and approach helped 'hone' the researchers skills, 'prepare' herself mentally and mostly 'debug' the whole research process, particularly the actual questions that were presented to the respondents.

The researcher solicited for feedback after every pilot interview, asking questions about the wording and format, whether the questions are clear or not, the consistency of the questioning, leading questions, or any addition to the list of questions. Very useful feedback was obtained, for example, it emerged from one feedback that it was prudent to commence with a summary of the purpose of the research as the interviewee suggested..."for some few minutes, I kept wondering what the meeting was about. I easily forget stuff, especially after a long day's work and its stresses". Some highlighted questions that they thought were leading or ambiguous and further suggested ways of questioning from their experience. Others advised on the use of a tape recorder rather than trying to write scripts saying it was distractive when that was done during their interview.

The loss of data due to accidental erasure was a painful learning experience that prompted immediate saving of interviews on several disks instead of leaving data on the recorder. Piloting the study helped establish average lengths of interviews and the likely lengths of time to analyse them, knowledge of which was useful for making sure that the study remains within the time frame required for a PhD project. In essence, the exercise helped the researcher to have a feel of how the interviews will flow in terms of the intended direction, focus and relevance of data to the research.

In hindsight, the consideration of these critical evaluations and suggestions helped to redesign and fine-tune the interview guides and the research design, ensuring clarity of questions and reduction of ambiguity and bias wherever foreseeable. The use of a semi-structured interview style with a list of guide questions worked well during the pilot study, primarily because it best suited the sort of interviewees, who command high levels of power and authority in their organisations. Therefore, it was deemed appropriate for use during the major interviews. Having a research direction mapped in the form of semi-structured questions helped drive the interviews in the direction of the study without offending them, it was believed.

6.4.2 Review of secondary sources

In addition to the main source of information, the in-depth interviews, the study also accessed documents (mostly accessed through the internet sources), as well as field notes to gather information. All of the identified participating organisations have internet presence with up-to-date websites. Field notes were referred to during the field work, particularly when a conversation continues after the interview had ended or whenever it was necessary to remember an expression uttered before the recording began. The study triangulates various sources of information such as company and government web documents, government policy documents and official newspapers, academic and practitioner research papers and journals articles, archival records, discussions and conversations to gather factual and statistical data. For example, the study utilises several documentary sources of FDI, economic growth, socio-economic progress statistics and monitoring such as the UNCTAD and the IMF particularly the Sub-Sahara Africa Regional Economic Outlook, the International Financial Statistics (IFS), Ernst and Young surveys on FDI into Africa, United Nations Industrial Development Organisation (UNIDO), FDI tracking tools such as the United Nations Investment Monitoring Platform (IMP), FDI Tracker, Google alerts tracker on current FDI trends into Africa and South Africa, FDI Intelligence, the Reserve Bank of South Africa, Statistics South Africa, Organisation For Economic Cooperative Development (OECD), the Financial Intelligence Centre, BusinessMap, Euromonitor International, and many others. Documentary sources such as foreign companies' strategic plans were accessed during the study to find out what influenced their location decision, for how long, their future plans in terms of time, exit plans if any, why or why not exit for example.

In terms of regulations, policy documents were accessed to assess economic policy progress, the trend in FDI policy changes so as to ask (during interviews) why such policies where changed or implemented. Yin (2003) argued that documents are a very important source of information as they can provide specific evidence in its original form, which in the case of this study, helps to stitch together why certain policy decisions or changes were made, what the common perceptions are, what is missing in literature and to note any methodological shortfalls.

The reason for accessing secondary data sources as well as primary data sources is to triangulate espoused theory and theory in action, thus, what people say compared to what they actually do (Argyris and Schon, 1978). Similarly, Charmaz (2006 cited in Charmaz, 2011) argues that such triangulations help research works to unveil the consistencies or inconsistencies between words and deeds.

6.4.3 Fieldwork: processes and phases

The major fieldwork for the research was conducted between May and July 2013 and comprised of interviews with three stakeholder categories in the banking sector: investors, the government industry regulatory institutions and the intermediaries. In terms of the number of interviews in qualitative research, there is no consensus held in literature. Patton (1990) believes that the sample or the number of interviews should be determined by the objectives of the study, but emphasises that the sample or the interviews conducted should ensure that the matter under investigation would be exhausted adequately and sufficiently. For this study, 34 interviews were conducted. Some of the interviews were pre-arranged using the telephone, email and effectively through social networks such as LinkedIn and Facebook whilst others were arranged during the field trip. Dates, time and venues were agreed and set at the convenience of the interviewees, taking into consideration the safety and security of both the researcher and the respondents. Any follow up interviews after fieldwork were done through telephone or using online tools such as Skype and live chat-rooms provided by web applications. This was done to limit travel costs but at the same time maintaining the levels of interviews to satisfy the requirements of the study.

All interviews were meant to be carried out in the English language and tape recorded, however, some interviewees chose to use or mix English with Shona, Ndebele, Zulu or Xhosa language/words. The nature of qualitative interviews allows that kind of interaction, whereby respondents and the researcher can interact on the terms and in a language they both comprehend sufficiently (Patton, 1990). An interview scheduler was used to keep a record of up-coming interviews and those carried out. It also acted as a reminder for follow ups on the interviews should there be a need to do so. A corresponding code or name was given for each organisation and the same code was marked on the data storage disk or online soft copies for easy and quick identification. Names were used only with the consent of the organisation and participating individuals. The usefulness of the qualitative research approach lies in the flexibility of the processes and procedures afforded to the researcher during fieldwork. Thus, the researcher was able to tailor-make the processes and stages of data collection and analysis to suit herself and the respondents. Any form of meeting, be it formal or informal, was invaluable to this study because undirected dialogues and discussions for example, also yielded field notes that informed the fine-tuning of interview questions.

In as far as the interview venues were concerned, there was no criterion adopted for choosing where and when the interview should be held. Most of the time, the participants' choice was sought but with

due consideration on issues such as safety for instance. So, in all situations, the researcher's safety was priority and would use her own discretion on case-by-case scenarios.
Respondents' places of work were usually their first choice for conducting interviews. Most workplaces were ideal because, besides providing a quiet and comfortable environment for both the interviewee and the interviewer, they were safer and easier to find. Hammersley and Atkinson (1995) see the psychological and physical context of the interviews as integral to a successful interview, as these are likely to affect the relationship between the interviewer and the interviewee, and the responses the interviewee may give. There was however, times when interviews had to be rescheduled because of commitments during office opening hours. In such circumstances interviews were conducted out of hours and public restaurants were most ideal, and surprisingly, proved to be better than office environments. It was discovered that respondents were chattier, open and freer, and showed more signs of relaxation than those who were interviewed in their offices. Plus, disruptions were not as common as in office scenarios. Only on one exceptional occasion was the interview conducted at the researcher's hotel and another one at the respondents' house upon invitation.

During interviews, a digital audio tape recorder was used to record all interviews, and interviews ranged between half an hour and an hour and fifty five minutes. Whenever convenient, interviews were listened to and some transcribed in order to keep familiar with data. Effort was made to listen to interviews soon after the interview as it was necessary to compare the responses with the research questions consistently. Also, whenever necessary, interview guide questions were fine-tuned, to take into consideration the ever-evolving nature of the topic under study, as seen from the research data. Audio records were transferred onto compact disks clearly marked with an identification code that each organisation was allocated (no names were used). Soft copies of the interview data were stored on several online databases to avoid possible loss of data. This researcher owes more to the snowball technique necessitated by the flexibility of qualitative interviews, for enabling more participants to be identified and incorporated into the study. For example, there were times when an interview with one participant would lead to the identification of another potential respondent, useful for the research. This means that the researcher had an opportunity to talk with the right people after being referred or introduced to them by other interviewees. The snowball technique continued to be handy during interviews, especially at the times when other selected research participants mentioned names they believe could be relevant for answering a specific question, which the researcher then searched and requested connection through professional social networks such as LinkedIn.

In as far as this study is concerned, after collecting the locally produced plausible comments and views generated during the interviews, as Silverman (2000) would say, the next step was to make sense of them in a systematic manner. Flick (2009, 2014) once said, a rigorous and systematic approach and procedures to analysing and interpreting data is key to ensuring that no biased neglect of certain aspects of data, which can jeopardise the authenticity of findings.

6.5 Data analysis

The use of a thematic data analysis methodology was considered practical for this qualitative study, particularly so because it conforms to the post-positivistic theoretical assumptions that define the thematisation process of the interview data, and by ensuring that the themes are, to a greater extent, allowed to emerge from data. The thematic procedures suggested by Ryan (2006) were considered adequate to ensure the quality and rigour of data analysis. A fuller picture of the data analysis procedures and the process is provided in Chapter 7: whose purpose is to explain and describe the analytic process, and to outline the study's analytical framework, which is also referred to as the study's story board.

6.6 Addressing the rigor and quality issues

Addressing the "quality" issue is one of the cornerstones of post-positivist research and indeed, any qualitative studies. Quality issues are something that qualitative researchers feel should be addressed in order to satisfy critiques of qualitative research tradition. This is because of the very diverse epistemological and ontological assumptions that underpin qualitative research, which make researchers feel obliged to show that their research is valuable and rigorous (Creswell and Miller, 2009; Creswell, 2012). Since readers want to know how well the researcher captured and interpreted the problem he or she studied in order for them to be able to trust and rely on the findings, it is important that researchers take steps to ensure validity and reliability of any claims resulting from their research works (Lincoln and Guba; 1985).

Creswell and Miller (2009) found out that many qualitative researchers consent to the belief that qualitative inquirers need to demonstrate that their inquiries are reliable, by employing common quality checking procedures. The major question often asked is: what constitutes good quality research? Many researchers seem to suggest that a qualitative research should be structured in a socially approved manner in order to be regarded as a quality study. Thus from how the research process is designed to how data was collected and analysed, baring the process of data collection, analysis and interpretation.

Some theorists, for instance, have come up with quality measurements based on what they believe in, which qualitative researchers can adopt and employ in their studies. Quality in terms of reliability, validity and generalisability, is often the basis on which quantitative studies are judged. But this is not to suggest that there is a consensus agreement on what measures should be applied. Within the qualitative research tradition, Lincoln and Guba (1985) for example, suggested the use of trustworthiness; encompassing features such as credibility, transferability, dependability and confirmability, all of which are separated by a very thin line of arguments and beliefs regarding quality evaluations in qualitative research. This researcher agrees that a qualitative study should, just like any other qualitative studies, be evaluated in terms of quality and rigour, and the evaluation criteria should be somewhat adapted to suit the genre of the study. But the researcher does not see the differences between the terms that Lincoln and Guba (1985) assign for the qualitative studies and those that are employed in quantitative research (LeCompte and Goetz, 1982). In the researcher's opinion, the labels that different theorists attach to the quality evaluation criteria resemble each other, because it seems there is little or no conceptual variation in what they suggest, except for the differences in the words assigned.

With regards to this study, a number of checks and steps were taken to ensure it complied and satisfied the quality obligations of a qualitative tradition. The idea of adopting the concepts reliability and validity, as the measures for evaluating this study was very appealing. Patton (1990, 2005) argues that reliability and validity are the two critical elements that need constant checking throughout a qualitative research study. Therefore, the study applied the meanings of reliability and validity to discuss how the quality issues in this study were promoted. LeCompte and Goetz (1982) as well as Yin (2014) provided very useful recommendations and ideas regarding quality control measures which were adopted for the purpose of this study.

6.6.1 Reliability

Reliability has two branches: external reliability, which is about the replication of findings and internal reliability which is about consistency (LeCompte and Goetz, 1982). In as far as this study is concerned quite a few techniques were applied to promote external and internal reliability. The study demonstrated replicability in the methodology chapter, where a number of procedures have been provided for those who may wish to conduct similar studies. For instance, the researcher outlines the research design, processes and procedures that were used to execute the study. According to Silverman (2000) and LeCompte and Goetz (1982) providing data about the participating organisations (although in this study names are anonymised) and explicitly reporting the methods, providing detailed accounts of data collection and the analysis processes as done in the methodological chapter, opens the research to peer review and maximises the research transparency. Also, according to Flick (2009) documenting processes and procedures systematically, facilitates easy transferability, otherwise known as replication in quantitative studies.

Further, pre-designing the methodological process was significant for many reasons. For example, the setting of the research boundaries and mapping the research direction prevented many flaws that would have jeopardised the research process and in turn its reliability. For example, having an interview guide and organised ideas on meetings for interviews prevented blind searches during fieldwork, which helped keep the research within budget in terms of funds and time. Thus the research design provided this study with a strong base for reliability from the start right through to the end.
Also, multiple interviews resulting in the multiple of data sources bringing in multiple perceptions from sampled units across the banking sector. Also, the triangulation of sources of data was a good measure for ensuring the reliability and validity of the findings in qualitative research (Denzin, 1989 cited in Seal, 1999; Flick, 2009; Yin, 2003) hence the reason why local investors' input was necessary in this study.
There are various triangulation procedures that researchers can achieve in qualitative studies. Denzin (1989 cited in Seal, 1999) outlines them as data triangulation, investigator triangulation, theory triangulation and methodological triangulation. Researchers are not obliged to ensure they incorporate all the triangulation strategies, although doing so will add more value to a qualitative study. In this study, the way data were generated demonstrates data triangulation, which Denzin (1989) says entails the use of various sources of data with the distinction between perhaps time, the persons, and place for instance. By triangulating data sources (Flick, 2009) the study was able to bring together different views from interviewees, which helped paint a more detailed and balanced picture about the whole study, whilst eliminating biases that are usually associated with single method or data source.

Moreover, the maintenance of the study databases, referred to as evidentiary base by Yin (2003, p 101) and procedures for the research process as an audit trail to facilitate replication is also a reliability characteristic of this study. Thus, although sufficient evidence has been provided in the report for readers to draw their own independent conclusions without having to consult the study records, a study database with evidence of documents collected and analysed during the study, study notes from interviews, details of interviews kept in audio and transcript form, evidence of organisations' contacts, and interview dates are available.

6.6.2 Validity

Generally, validity answers the question, to what degree has the research answered the research questions it was meant to answer (Golafshani, 2003). The concept too, has two branches: while external validity or generalisability, as it is commonly known in quantitative studies, is concerned about how the findings and interpretations of a study can be applicable to other contexts beyond its immediate scope, in terms of populations and theoretical suppositions; internal validity is concerned with the researchers' position during the study. In quantitative studies, generalisation entails the validity of generalising that a research sample is representative of the whole population that the sample purports to represent. In qualitative research on the other hand, generalisation is not about statistical representation but is about the relevance of theoretical propositions across the related research contexts (Hartley, 1994).

In this study, whereby the research is concerned with the perceptions of actual decision makers in the FDI inflow processes, the concern is not about whether the participants are a typical representation of the huge population, but on whether the challenges that may influence their perceptions and the context in which those perceptions are conceptualised, have commonality with the perceptions of others in similar situations. This is mainly the reason why qualitative studies are not concerned about the size of the sample, but the quality attached to the findings in terms of relevance for example, that a sample would be able to yield. Previous studies seem to be concerned about the validity of generalisability and replicability in terms of the multiple countries that the researchers analysed. Unlike the previous studies, generalisability in this study lies on relevance of the theoretical propositions that the study yields rather than the applicability to the multiple populations as common in the existing body of literature. Therefore, for the sample, effort was made to ensure diversity in perceptions by including the key stakeholders in the banking sector, which was significant for building the contextual conceptual frameworks of the South African political investment climate for that specific sector. In other words, the study increased the likelihood of getting diverse perceptions about the research by recruiting participants from diverse groups, with diverse experiences, perceptions and interpretations of the political investment environment climate.

To extend internal validity with regards to perceptions, the study used a basic framework of questions that was used as a guide during all interviews. However, it should be mentioned that the use of an interview guide was not an absolute guarantee for internal validity. This is because, even if an interview guide with similar questions was used, replicating qualitative interviews is somehow difficult. For instance, every question is responded to differently, depending on how the interviewee understands the question, and the direction in which the interview takes. Plus, there are some personal qualitative features that are exhibited during an interview which remains unique to that specific interview even though the questions posed are the same.

Flick (2009) said that the most crucial phase of the research process is the data collection phase. Therefore accuracy in data collection is paramount, whilst data relevance is fundamental for the successful answering of the research questions. For that reason, explicating how data were generated and later, how they were analysed, is believed to be fundamental in qualitative research (Flick, 2009). To ensure accuracy and consistency in collected data, all interviews were recorded after seeking the participants consent. Messenger chats that were used as gap fillers provided written records. Other secondary data sources were available in electronic forms and were easily accessible whenever needed.

As for data analysis procedures, the employment of a systematic data analysis procedure, namely, thematic qualitative data analysis, was believed to be appropriate and adequate to ensure that the data analysis retains the validity and the reliability that satisfies the internal validity expectations (Bryman, 1998). The four steps of thematic data analysis namely: familiarisation and transcription, data displaying and coding, data synthesising and patterning, data analysis and interpretation ensured that the findings emerged from data and not imposed by the researcher and that no biased neglect of aspects that would jeopardise authenticity (Flick, 2009). This is the similar approach to what Trochim (1985, 1989) suggests to constitute construct validity, particularly when the research employs the pattern matching technique to pool together similar perceptions during thematic analysis. The researcher identified similarities and differences in perceptions as interpreted by those in the banking sector in order to piece together the picture of the South African political challenges to investors.

To assess data analysis validity after the transcription and theming of data, two data validation techniques were used: responded validation, also known as member check or host validation (Burnard et al, 2008; Miles and Huberman, 1994) and the peer or inter-rater reliability (King, 1994; LeCompte and Goetz, 1982; Burnard et al, 2008) which entails presenting interview scripts to other experience qualitative researchers, in this study, supervisors and colleagues, to read through interview scripts and analyses the data independently then compare the results. Host review entails going back to the field, presenting interview scripts to respondents to validate or refute the researcher's interpretation of their interviews. However, the use of host validation was not very feasible in terms of going back to South Africa, so the researcher attempted to contact the respondents using telephone, Skype and other web-based chat-rooms and applications. The downside of this technique was that, not many respondents were willing to read through their interview transcripts. Also, the process was time consuming, mostly because some respondents simply did not care to respond or openly said they did not wish to have anything to do with the educational study anymore. The researcher assumed that some were fearful that their anonymity was at stake if the researcher kept communicating and sending interview scripts back and forth because, one concerned respondent for instance, questioned the assurance of anonymity if the researcher kept phoning his organisation wanting to speak with him.

All these hindrances however, did not compromise the reliability of findings because another technique to keep a close check on quality was implemented. Peer reviewing process was a successful option and worked well to provide credence by eliminating researcher bias during data analysis. After exchanging transcripts with other qualitative researchers in the field of international business, most of the researcher's codes and interpretations were agreed on and additional insights from other reviewers were taken into consideration. Although this process is debatable because other researchers question the value of this approach since qualitative data can be interpreted differently by different people (people coming from a different philosophical viewpoint may have contrasting interpretations about the data), the codes and interpretations were mostly consistent. Again, whether this can be regarded as reliable is on the flip side of events, for consistency between reviewers does not prove truth (Bryman, 1998).

During writing up, the research brought in direct quotations in order to maintain thick descriptions of the research findings, again satisfying the credibility requirements of this research project.

Finally, the researcher endeavoured to promote internal validity by being explicit about her position underpinned by the post-positivism philosophical assumptions. With regards to this research's theoretical and philosophical commitments, the question that critics of post-positive research methodologies may ask in relation to study's theoretical standpoint is whether it is feasible or not for the researcher to assume a neutral position as would be assumed by pure-positivists, considering that there is close dependence between the researcher and the researched during the data collection, analysis and interpretation process, which are inevitably subjective if compared to quantitative research (Creswell and Miller, 2009; Creswell, 2012). This is said to be possible (Creswell and Miller, 2009; Creswell, 2012), especially when the researcher pursues knowledge whilst recognising and addressing various possible sources and effects of biases whenever there is a researcher-researchee dependence. It is fair to assert that qualitative research assumes some objectivity even though there is a high degree of interaction between the researcher and the researched, which may subordinate objectivity if due care is not taken. The researcher's positionality in terms of her values, interests, motivation, values and beliefs where exposed clearly from the beginning of this study in order to acknowledge the possibility of researcher's biases and the attempts taken to limit them. Placing the study into a specific research tradition (post-positivism) meant this researcher was bound by specific guidelines that researchers within that specific tradition have to follow. Post-positivists believe in objective reality that they obtain using non-positivistic methods (Ryan, 2006).

The other question could be; how were possible biases minimised? First, the post-positive philosophical position demands that the research adheres to the philosophical assumptions (Trochim, 2006). In particular, that the researcher assumed the role of a learner and not a tester, which minimised the influence of the researcher on the subjects or the overshadowing of respondents' voices during data analysis. Although the study demands a fair degree of passion and involvement through interacting with policy makers, investors and intermediaries rather than treating and researching them as objects from a distance (Eagleton, 2003 cited in Ryan, 2006), the study is guided by its aim, which is to gather evidence that will help in the understanding how the investors interact with the government and their community. Assuming the role of a learner that is supported by a high degree of reflexivity as suggested by (Yin, 2003) makes it possible to eliminate the possible impact of the researcher on the research outcomes.

Summarily, although there is a distinction between quantitative and qualitative research which prompts researchers from these two camps to assign quality evaluation criteria that they believe are appropriate for the sort of research being undertaken, the flexibility of qualitative research allows a qualitative research to be evaluated anyhow. Primarily so, because this researcher failed to distinguish the conceptual differences between the labels assigned to the quality measures representing the two research traditions. As such, the study employed the concepts of reliability and validity, often associated with quantitative research, but applied them in a way that is in agreement with qualitative research.

6.7 Ethical considerations

Critical ethical issues reflected in this section include some of those identified by Brewerton and Millward (2001) when research involves human subjects. All the writers talked about voluntary participation, harmless to participants, participant anonymity and confidentiality, acknowledging the sponsor and spelling out the purpose of the study, outlining methods and analysis of data as well as accurately reporting the findings, which this researcher observed throughout the study.

To inform participants about the purpose of the study, the researcher provided them with information packs written on University's official letterheads (which details the purpose of the research) and consent forms (with details of their rights) for example, informing them that interviews will be audio taped and they are free to continue or terminate contact or participating in this study should they feel otherwise. Upon completion, the report will be made available in the University library with full online access. The researcher endeavours to continue advancing knowledge in cognate subject through journal publications before and after thesis defence and publication. Information was given that the study is self-sponsored and is purely educational, and that the purpose of data collection was to fulfil the PhD degree requirement as stated by Sheffield Hallam University. The learning agreement between this researcher and Sheffield Hallam University states that the study and its data is purely educational and is not to be used or retained for any other purposes.

Here is a brief reflection on some of the issues considered:

- Permission to conduct this research ie permission to access company/government documents
- Anonymity of the research participants and their organisations (where called for)
- Informed consent
- Permission to record interview
- Accurate and honest representation of findings made from the participants point of view and full access to the research final results upon request by interested parties

On the issue of causing harm or risk to the participants, the study of FDI in its broadest sense is not usually considered as potentially harmful to the researched community or the researcher because it does not involve vulnerable people. However, there is some degree of sensitivity regarding questions that draws some attention to the government actions and policies over foreign operations, which could be perceived as sensitive. Pressure would be on organisations to disclose or not, information for fear of jeopardising their relationships with the host country. The sensitivity surrounding this study affects those that the research gained access to and subsequently their willingness to participate. The concept of anonymity and confidentiality was considered and prioritised in order assure that the participants talk without apprehension. Critical research issues such as confidentiality was to be observed and participants assured of strictest confidentiality throughout the research process in order to give them peace of mind and to gain their trust. For example, full anonymity of participants was granted except where the participants chose to have their organisation's name to be provided in the report (in this study, names of organisations are referred to as foreign or local bank, government department or intermediary). Although some of the direct words uttered during interviews were imported into the report, care was taken not to include those that could be traced back and related to any organisation or individual. Participants also had the option to choose whether to be tape recorded or for the tape recorder to be switched off at any time. Where emails or web chats containing contact details and names where listed, the researcher would record or print the emails, give each one of them a unique and uniform code for identification, then delete the names and contact details.

With regards to the researcher's safety, the University has a researchers' handbook for safety guidelines on how to keep safe. The researcher also did a thorough research on travelling and living in South Africa, information of which is substantially available on the South African government websites. Forms on the ethical issues that were considered in this study were filled in and submitted to the University's Research Degree Committee office.

6.8 Reflections on the research methodology and limitations

Reflexivity is the nature of qualitative research (Krefting, 1991). This means the privileging reflexive interaction during the research process is an integral part of knowledge construction. Reflexivity simply implies reconciling any challenges encountered during the research process or challenges presented by methodologies and specifying influences of the researcher's positionality to the research context (Alvesson and Skoldberg, 2009). Silverman (2006) wrote acknowledging how impossible it is to exclude the researcher's assumptions, prejudices and preferences in doing a research. As Crotty (1998) asserts, the researcher's ontological and epistemological positions greatly influences the choice of methods that one adopts and Kvale (1989) questions the sanity of thinking there could be any value free in a research. According to (Anderson and Arsenault, 1998) no matter how well designed a research can be, we are constantly carrying a baggage of beliefs, assumptions, inclinations and approaches to reality, which suggest that, even though researchers take a philosophical and theoretical position, human nature can, to some extent, impact negatively on a qualitative research process. As Grix (2002, p 170) echoes, "all research starts from a person's view of the world, which is shaped by the experiences one brings to the research process".

As the above citations underscore, this researcher does not fantasise about leaving her own 'baggage of beliefs, perceptions and prior knowledge' about the business environments in South Africa by the door way and then pick them up after the completion of the study or when coming out of the field. This researcher acknowledges that the inevitability of her own presumptions may without any doubt impact on the research subjects and its outcome.

It is worth mentioning that the researcher is an African woman who resides in neighbouring Zimbabwe. She has prior knowledge of the South African socio-economic transitions and how politics has evolved over the past two decades. Such prior knowledge and other underlying presumptions may, without any doubt, cloud the vision or delude the focus of this study if carelessly or selfishly brought in, as Ryan

(2006) warned. Whilst here, it is essential to mention that the design of the analytical framework using insights from literature serves to acknowledges the significance of previous research to this study and not to dilute the outcome of the research. It was clearly stated that the themes for interpreting data were to emerge from the new evidence and previous knowledge is significant for mapping the direction of the research, delimiting its scope, as well as helping to locate the study within its related body of knowledge. Further, although the post-positivist position from which this study is conducted, states that the researcher takes a learner's position, which entails bracketing all the presumptions, there is need to mention that human presence is likely to influence or pervert a research process or outcome if not managed carefully. In particular, although there are a myriad of advantages that the post-positive standpoint afforded this study, which significantly outweighs the minor challenges that are being pointed out here, the researcher fully acknowledges the challenge of researching from a post-positivist standpoint. For instance, this position gives high degree of flexibility, which if not careful, the study could have easily lost focus. Post-positivism allows the researcher to immerse into the phenomena but still obliged to retain objectivity. However, it is possible to influence the direction of the study in terms of how interview questions are presented, the formation of themes during data analysis and how findings are interpreted. To go around this challenge, the researcher kept reflecting on how the research questions were addressed in respect of the methods employed, methodological approach, theoretical and philosophical position as well as her own impact on the research subjects.

With regards to the research process, several challenges owing to the qualitative methodology were encountered. For instance, although sampling in terms of conveniently and purposefully identifying potential organisations and individuals was easy due to technological facilities, recruiting the actual participants with characteristics suitable for the study purpose and intentions was a challenge. People were not responding to emails, supposedly because of the potential abuse inherent in such random media contacts. It was after the first visit that the researcher established relationships with some top executives within the industry that people started to respond to request for random connection through the professional media such as LinkedIn. The researcher would request her connections to introduce her to other top executives, which helped dispel fear of abuse and unfamiliarity between each other perhaps.

The qualitative approach to data collection presented its own set of problems. Interviews can be characterised by very complex interactions that demand a range of communication, interpretation, presentation and general personal skills of the interviewer, according to Kvale (2008). Various blunders or oversights, some of which are inherent in interviews such as poor preparations for the interview, ambiguous questions, and preconceived ideas and bias of the researcher can cause the interview to lose focus or yield irrelevant data (Kvale, 1989, 2008). For example, during the pilot study, it was apparent that unless questions were clear, the chances of misinterpretation were very high resulting in the accumulation of irrelevant data. Some inevitable interview limitations such as response bias, which may be due to poor interpretation of question, researcher's bias and lack of experience, may hinder the yielding of quality information. However, such potential shortcomings were discovered during the pilot study and contingency measures were put in place in order to reduce their impact should they threaten the success of data collection.

Other anticipated pitfalls and how this study prepared for them included the following:

1. Qualitative semi-structured interviews heavily rely on the researcher's ability to navigate the interview. Practicing in order to hone the interviewer's skills before the actual process was the only way to get around the challenge.
2. Interviews are what Yeung (1995:322) called 'an arena of power relations' which interviewers should always be wary of especially when interviewing business elites. These powerful informants may impose their meta-communicative norms to the interviewer. This was typical of this study, and in situations like this, the researcher's attributes that ensure the interview serves the research purpose without killing the relationship between the two was essential. The researcher's previous experiences working with individuals with high powered profiles and experience in public speaking and engagement helped in these circumstances.
3. Interviews are time consuming and expensive compared to surveys done online or the pen and paper technique. For example, one interview lasted more than an hour, transcribing lengthy interviews took more time than interviewing them, and so was the analysis and presentation of finding, risking introduction of researcher self-reporting bias, selective memory and poor recall (Marschan-Piekkari and Welch, 2004). The researcher however, stayed grounded and committed to objectivity guided by the research theoretical assumptions of the post-positivist paradigm. Progressive data analysis technique adopted from Ryan (2006) qualitative data analysis was employed to avoid data accumulation.
4. Unavailability of some participants when field work commences due to individual commitments and life eventualities was another problem that might have hindered the progress of interviews. Rescheduling interviews meant longer waiting time resulting in the need to extend fieldwork time in South Africa (this was very inconveniencing in terms of funding for daily expenses and air ticket changes). To go around such possible limitations, the study resorted to online interviews for the rescheduled meetings and used technology based forms of communication, namely Skype and telephone.

Other challenges such as language and educational levels mentioned by (Yeung, 1995; Marschan-Piekkari and Welch, 2004) were not much of a hindrance because the English language was used. Sometimes the respondents mixed English with native Zulu, Ndebele or Xhosa which the researcher understands. However problems arose when some of the interviewees would drop in words in Afrikaans during the interview, which were difficult to decipher their meaning during data analysis. The researcher had to ask for an English word from friends in South Africa, or find out the meanings on internet, which in most cases was quite helpful.

There were also some hurdles on the data analysis method. Just like any other qualitative data analysis technique, the coherence of the ideas within the data, lays with the analyst, hence the need to spend time rigorously studying, collecting and then bringing together the components of the whole research process, in order to tailor together, a meaningful and accurate story about the phenomenon (Joffe and Yardley, 2004). Spending time collecting data and analysing it, going back and forth and reflecting on the whole process helped develop insider knowledge about the data and to link them to the salient components of the thesis. Getting closer to data helps eliminate researcher bias that may be influenced by lack of comprehension of the phenomenon. The development of valid knowledge is entirely in the hands of the researcher as it is the researcher who identifies patterns in transcribed texts and gives them names (code) (Flick, 2009). Under the researcher's judgement, passages with the same code (of the same idea or theme) are grouped together to form descriptive accounts of the investigation, hence the importance of spending time with the research subjects and getting to know the data intimately.
Most qualitative data analysis tools are subject to methodological scrutiny because scholars from the quantitative tenet blame them for lacking rigor (Flick, 2009). This study's data analysis tool is not immune to such negative connotations given its flexibility and the absence of hard and fast rules on what constitutes a theme in terms of the size of data or percentages in numerical form as would be with quantitative methods. Qualitative themes do not need to be quantitative to be valid. Instead, they have to be able to capture significant patterns that give insight to the research questions. In cognisance of such a pitfall, the researcher provides thorough reflexive accounts on the data analysis tool in order to increase the credibility of the analysis process.

Figure 9 below is a pictorial summary of the research methodology and research design. The chart is also demonstrates the audit trails for the research quality and rigour.

6.9 The research methodology and research process flow chart

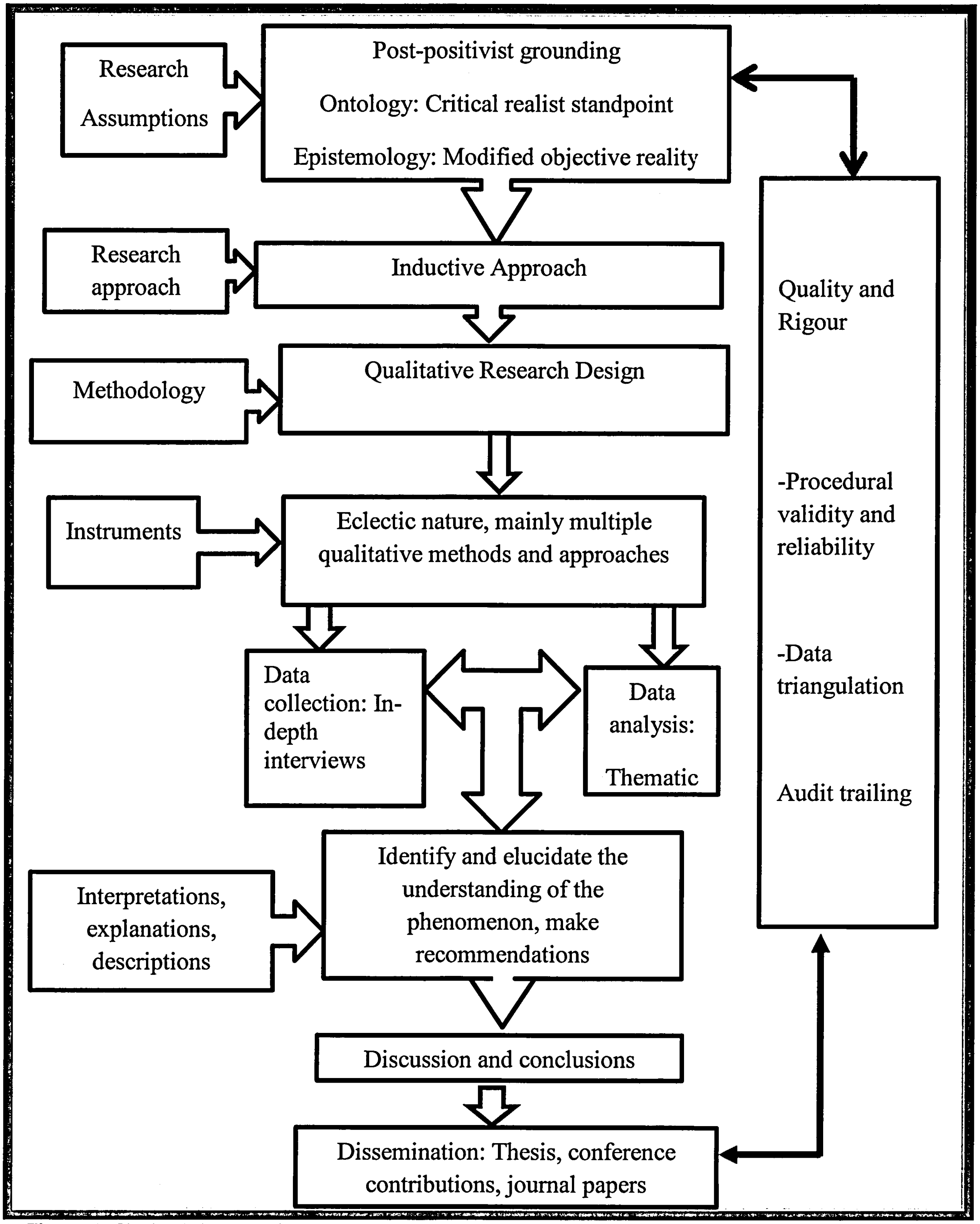

Figure 9: Methodology and research process
Author (2014)

This chart was created by the using insights from Guba & Lincoln (1994) as well as Creswell (2012).

6.10 Conclusion

In this chapter, the research methodology and research process is outlined verbally in sequences and then summaries visually in Figure 9. First, an overview of the methodological approaches observed in the international business and FDI determinants literature. This was followed by a discussion and justification of the philosophical and theoretical assumptions underpinning the methodological approaches adopted for this study. Next, the whole research design and the research processes were described, from before data collection, during the data collection, through to how data were analysed and presented. Later, the chapter reflected on the issues of the research quality and ethics before highlighting the methodological limitations encountered. The chapter ended by presenting a visual flow-chart, illustrating the research methodology and design.

The following chapter outlines the data analysis process, demonstrates how data were framed and contextualised, for the purpose of meaning making and drawing of the research conclusions.

7 CHAPTER SEVEN: FRAMING AND CONTEXTUALISING DATA

7.1 Data analysis

The previous chapter provided audit trails and procedures of how data were generated in order to satisfy the rigor and quality aspects of a qualitative study. This chapter begins by explaining and justifying the generation of the analytical framework through which the research data were analysed. It also demonstrates clearly, the procedures employed for organising and ordering data, in order to systematically extract relevant information useful for addressing the research questions. First, however, the chapter reiterates the post-positivistic assumptions underpinning the data analysis in this research, in order to remind the reader, the researcher's theoretical assumptions that underpinned the data collection, analysis and interpretation processes.

To begin with, the analytic process of this study involves accessing the respondents' perceptions and worldviews in order to better understand what those worlds mean to them (Miles and Huberman, 1994). In general, data analysis is telling the story by systematically reviewing the collected data, identifying the salient features from it (Miles and Huberman, 1994; Boyatzis, 1998) and then stitching them together into a coherent and credible story that answers the research questions. Creswell (2012) defined data analysis as the processing, organising and interpreting data in a meaningful manner that tells a comprehensive story about the topic under study. According to Burnard (2008) the data analysis stage is one of the most complex phases in executing qualitative studies, describing the process of analysing and presenting data as the most confusing process, requiring a systematic plan and procedures. Silverman (2000) argues that, the need to employ a logical data analysis system is by far important, not only because it eases the researcher's task, but because it is also integral to the research constructs validity and external reliability.

Although qualitative research can be somewhat flexible in the manner in which data are analysed, some theorists suggest that a systematic plan and the approach to data analysis should be deeply rooted and linked to the theoretical assumptions underpinning the study, as this serves to inform the reader of the researcher position in reporting and interpreting the findings (Boyatzis, 1998; Bryman, 2012; Saldana, 2012). This sort of assumption makes it necessary to re-state the theoretical position assumed in the study before proceeding to describe the data analysis method used in this study.

7.1.1 Re-stating the study philosophical position in the data analysis process

As stated in the data collection section earlier, interviews were conducted from a post-positivist epistemological standpoint using qualitative research approaches and techniques. Thus, the post-positivism epistemological assumptions underpin what constitutes or is privileged as knowledge in this study. They define how the research data was generated and analysed in order to constitute valid knowledge for the research purpose? In as far as post-positivist position is concerned, some qualitative researchers insist that it is important that the theoretical position of a thematic analysis is made clear as any theoretical framework carries with it, a number of assumptions about the nature of data and what they represent in terms of the world (Boyatzis, 1998; Braun and Clarke, 2006; Saldana, 2012). Otherwise if not explicitly discussed, it is then a typical realist account, perhaps because of the thin line that divides pure positivism from post-positivism.

Practically, and in respect of post-positive approach, the researcher let the respondents tell the story and not to speculate about the meaning or put words in the mouths of respondents (Ryan, 2006; Burnard, 2004). For that reason, some of the verbatim quotes were imported in order to preserve participant's view point during data analysis or to underscore significance of the response.

However, Ryan (2006) also argues that this does not suggest that post- positivists present data in a merely bald manner or do not engage with data to explain and give meaning to themes. Post-positive research allows the researcher to offer some critical debate from a critical standpoint by comparing and contrasting findings in the light of the available literature, as a way of clearly unveiling new evidence. The central aim of post-positivists is to build theory out of data rather than testing theory (Trochim, 2006). However, it is emphasised that, in trying to achieve the aim of deriving theory from data, post-positivism does not suggest divorcing knowledge from being (Ryan, 2006).

To re-state, post-positivism is a rejection of the central positivism assumptions (Wildemuth, 1993; Ryan, 2006). Researchers within can assume a critical position in reporting findings because they reside between the opposing poles of positivists and constructivists (Trochim, 2006). Effort should be made to report the findings and discuss them objectively, keeping in close proximity with the data as in line with the post-positive objective perspective. To clarify objectivism in post-positive data analysis, Trochim (2006) points out that objectivity in post-positive analysis does not lie with the individual researcher as it is with positive research, which assumes that the researcher should put aside own beliefs or preconceptions in order to see the real world. Thus, whilst positivists believe that a phenomenon exist independently (Trochim, 2006) and objectivism is achieved by the researcher standing outside of the research process and observing process (like a scientist in a laboratory) post-positivists believe that objectivism does not reside in the researcher because they believe people are all biased and therefore their observations will always be affected. Post-positivists do not believe in them seeing the world but seeing it through the participants' eyes. By nature, qualitative data analyses are, in most cases, led by inductive approach (Strauss and Corbin, 1998). Accordingly, this present thesis is built from an inductive approach, the principles of inductive reasoning and arguing, best suits the purpose of this study, whereby the research questions demands for a thorough understanding of the contextual values subjective to the subjects under study, in order to establish and attribute meaning to the political factors in the light of the South African inward FDI determinants. Thus, the research questions befit a qualitative approach, and qualitative data constitutes multiple meanings, which practically, makes it impossible to conclude with any degree of certainty as demands the deductive approach, but with mostly probability, as per the inductive approach.

On that ground, and in respect of this current study, the researcher makes inferences, interpretations, explains or narrates findings in a rich qualitative and meaningful manner. Objectivism is achieved by triangulating processes and embracing multiple perceptions, for instance, this researcher requested two colleagues to verify the accuracy of the coding and theme generation processes. After discussing with them, a few modifications were made, leading to a somewhat common perspective about the data and the emergence of themes.

7.2 Analysing interview data

As mentioned earlier, the approach to data analysis follows a qualitative tradition and is led by an inductive approach. The limitations identified in literature includes the inadequacy in the identification and meaning attributed to the various robust FDI factors including the political factors under investigation, as a result of repetitions, lack of depth and detail on the FDI determinants, owing to the methodological approaches to information collection and knowledge construction processes. Unlike this study and a few others mentioned in the literature review chapter, most of the existing findings are based on hard, micro-data, and inferences about theory are derived from the researchers' hypotheses about what is tested and believed to be host country inward FDI drivers. In fact, literature showed that the main concern of previous researchers is to establish and confirm which variables have impact on FDI flows in the various countries.

This study's primary concern is that of establishing the bigger picture of the political investment climate of South Africa by investigating the factors obstructing the operations of investors.

After collecting data, the aim now, is to piece together, the full picture of the political investment climate under study, in an attempt to bridge the gap in knowledge, with regards to the scantly addressed political factors as significant factors that might affect the flows of FDI inflows to South Africa.

In accordance with the theoretical assumptions to which the study subscribes to, themes that embodies the aspects that will explain the political investment of South Africa, emerges from data. Technically speaking, when themes are allowed to emerge from the interview data, this is known as qualitative analysis (Dey, 2003) and sewn together; they should provide the best explanations of what is going on (Patton, 2005). Some researchers liken this to what is known as open coding by grounded theorists (Corbin and Strauss, 1998; Strauss, 1987; Glaser and Strauss, 2009). Just like what Ryan (2006) mentioned earlier, Smith (1995:18) also expressed the view that "there is no one correct way of doing qualitative analysis. Thus, once qualitative data is collected, it can be analysed using different approaches deemed appropriate or compatible with the research design, theoretical underpinning and even the skills of the researcher (Bryman and Burgess, 2002). In concurrence, Ryan (2006) urges researchers to refrain from confining themselves to frameworks concerned about their field, but to consider those outside and then decide which ones best suits their topic. The commonly used approaches in qualitative data analysis include the narrative analysis and comparative analysis including thematic content analysis. Researchers doing qualitative research can approach data analysis inductively or deductively depending on their objectives, philosophical and theoretical assumptions. In this study, a thematic data analysis technique, which is based upon the inductive approach, was adopted. Although the researcher is aware and familiar with computer data analysis packages such as Nvivo, this study disregarded the use of computer aided data analysis package because: during the pilot study, it was discovered that repeatedly reading and examining transcripts enabled building of a stronger picture and understanding of the story before the actual writing of the report. More-over, it was easier to identify the underlying similarities or contrasts or even patterns in the interview responses helpful in starting the data interpretation process. Use of computer aided data analysis software is widely accepted but also blamed for limiting the distance between the researchers and their data (Denzin and Lincoln, 2009). In this researcher's opinion, the use of computer aided data analysis reduces the superior quality of the output that this study aimed to produce when it settled in the qualitative research paradigm. Besides, it seemed a good idea to adopt the same approach previously used at the masters' degrees level for the sake of experience and knowledge.

7.2.1.1 Thematic data analysis technique

Even though Ryan (2006) argues that there is no prescribed ways of analysing qualitative data, he emphasises that one needs to read widely about the various strategies coined by various researchers, in order to arm oneself with knowledge of how to analyse qualitative data effectively and sufficiently. The researcher adopts a thematic analysis technique, but refrains from slavishly adhering to single set guidelines, choosing to eclectically incorporate any useful guideline whenever necessary. It was however important to be systematic and thorough to ensure rigor and reliability even though qualitative researchers do not subscribe to any form of analysis framework (Ryan, 2006). According to Braun and Clarke (2006) thematic analysis involves identifying, analysing and reporting patterns, known as themes, in data. The concepts behind most qualitative data analysis approaches are quite similar as they mostly involve analysing transcripts, identifying themes in the data, and then combining them to explain the findings. Differences however, come from the manner that themes and categories are managed as well as their philosophical and theoretical underpinnings. In short, this approach simply means transcripts of data are explored to identify themes made up of similar contextual characteristics words or synonyms within data then combining those themes and explain them to the readers. The process of identifying themes is achieved by first coding or naming pieces of texts for the purpose of grouping and then analyse them, giving an accurate reflection of the whole data that has been collected (Miles and Huberman, 1994; Boyatzis, 1998).

The rationale for a thematic analysis technique is underpinned by the overarching aim of this study, which is, to contribute to the knowledge, a more in-depth picture on the issues promoting or obstructing FDI inflows, by expanding on the current understanding of the political factors, which the study argues is one of the major FDI impediments in South Africa. This argument emanated from observations that, although the existing literature demonstrates the FDI determinants in Africa, focus on the specific factors is limited. In other words, existing theories about the factors impinging on FDI inflows lacks detail and meaning in terms of specific country locations. Plus researchers, up to now, are mostly concerned about the impact of the factors they suggest, on the attractiveness of the countries to FDI.

In a bid to understand better, the challenges hindering the growth of FDI in South Africa, the study located itself within the qualitative research paradigm, in which the data collection processes allowed the collection of in-depth detail from the actual investors, the government and the intermediaries, on the political investment climate of South Africa's banking sector. In order to allow that detail to surface from the data, the study settled for the thematic data analysis technique to identify themes and patterns, which in this study, are the experiences, feelings, opinions or suggestions of investors and intermediaries as well as the actions, strategies and policies of FDI attractions implemented in the banking sector of South Africa.

The thematic analysis approach has the features that befits this study, according to Braun and Clarke (2006) thematic analysis is capable of producing rich and insightful findings that are neither objective nor subjective but paint a comprehensive picture of the phenomenon according to the people who were being studied. To add on, the results of a thematic analysis can be easily interpreted by the general public (Ryan, 2006) thus, the none-expert but educated target audience of this research, will be able to comprehend the findings expressed in textual format yielded by the thematic analysis process. The objective of this study is not only to contribute to the current body of knowledge on the effects of political factors upon the operations of current FDI, but to also inform policy makers in terms of theory that relevantly and sufficiently inform policy, and in terms of scholars interested in better understanding the factors promoting or discouraging the flows of FDI in South Africa and related contexts.

Thematic analysis is a theoretically flexible approach (Braun and Clarke, 2006), it is compatible with the inductive approach and conforms with the post-positivist tradition that calls for theory to emerge from data, and as such, this inductive kind of approach to data analysis, facilitated by the nature of thematic technique was appropriate, because it allow themes to be derived from the actual data (Bernard and Ryan, 1998, 2009; Burnard, 2008) a concept significantly consistent with the theoretical assumptions of the study. The absence of theoretical ties makes thematic data analysis the easiest option (Ryan, 2006) because it automatically eliminated the need to satisfy any paradigmatic conditions or justifications and therefore, can be adopted for use with any research tradition. This, according to Braun and Clarke (2006) makes the process of data analysis quicker, easier and straight forward (Holloway and Todres, 2003). However, this is not to imply that thematic analysis does not have any hurdles or should not follow any form of guidelines.

This study followed a systematic thematic analysis process, not only to facilitate the data process, but as a strategy to also satisfy the rigor and quality expectations of a qualitative study.

7.2.2 The development of the data analytical framework

To analyse interview data, the study adopted the qualitative data analysis procedures and guidelines provided by Patton (2005) and Ryan (2006). However, developing an analytical framework, that provides guidance for identifying data relevant for answering the research questions, was necessary. The process, being a critical stage to the story building process, requires interpretation and data handling skills, therefore adopting a systematic and rigorous method to rely on is greatly advised by some theorists (Miles and Huberman, 1994; Strauss and Corbin, 1998). Mostly significant also, because in qualitative research, the data analysis phase is a crucial pillar of the research, therefore ensuring that the study satisfies the critical eyes in terms of quality, is paramount. The steps and measures adopted to analyse qualitative data are an area from which a research quality can be evaluated (Ryan, 2006). Thus, for determining the quality of a study, procedural reliability, which entails a thorough and systematic approach to analysing and interpreting qualitative data, to ensure an unbiased generation of themes that will form the basis of new knowledge in the end, is important. The analytical framework provide guidelines to a principled approach to identifying and sorting data into themes, working out and ascribing meaning to data, and allowing the research to join the research conversations appropriately through discussion in the light of existing theories, and finally, drawing conclusions necessary for theoretical and conceptual contributions. Theoretically, a data analytical framework, according to Gale (2013) is a framework that is a useful and practical developed to guide a researcher in designing and conducting data analysis.

Srivastava and Hopwood (2009) framework of reflexive iterative analysis questions was a very useful reminder of the direction and purpose of the study, helping to understand better, the data in terms of 1) what the study is set to find out, which, basically, are the research questions as well as objectives, 2) what data is saying, and 3) the dialectical relationship between the data and the research questions. By developing the analytical framework, basing it on these three iterative questions suggested by Srivastava and Hopwood (2003), the researcher was able to engage explicitly with data in a reflexive manner, progressively leading to a more refined focus and understanding by visiting and revisiting literature and data, and connecting them with the emerging insights (Srivastava and Hopwood, 2003). The analytical framework offered deep and more focused explanations of the identified risks, how they are generated, and the effects they have on the operations of investors and upon the FDI perceptions in South Africa.

There are many advantages that the research achieved from developing and using own analytical framework. Firstly, having an analytical framework developed for the purpose of this study helped mark the research boundaries in terms of what to look for in data whilst limiting the influence of established research and theories. The framework also ensured that the study remains grounded firmly, within its post-positivism theoretical parameters, which is, allowing themes to emerge from data. However, although the study shied away from pre-determining elements of analysis as traditional in previous research, the framework is built from concepts drawn from analysing the current state of knowledge, which itself is critical for informing on the on-going research conversation, and is therefore regarded as a good guide for locating this study appropriately, within the body of literature. In as much as post-positive researchers ensure that themes emerge from data, it should be acknowledged that the themes do not emerge by happenstance. The researcher engages with data, shaping the direction of the study according to the three iterative and reflective questions outlined above, thus, what the study is pursuing and how the researcher then interprets the data. The researcher's intuitive field knowledge also, plays a significant role in providing insights into how themes can come into being. To do this is to assume a post-positivists' objectivity, and according to Ryan (2006) post-positivists objectivity is not achieved by divorcing knowledge from being or experience.

Additionally, the analytical framework for analysing data on the political investment climate, served as a starting point and a guide through the process of finding and ascribing meaning to the political factors, challenges, and risk factors, which in a nutshell, are the aspects that reflects on the relationship between the government and various business and national environments, in this case, the socio-political, socio-economic environments. These aspects are to a large extent, the major forces behind the political investment climate ability to either attract or discourage foreign investments in South Africa. Also, it was more practical to iterate back and forth literature, engaging more with the data, and most significantly, facilitated the fine-tuning or rewording the research questions, whilst staying within the boundaries and focus of the study. Lastly, because the study did not establish from literature, a commonly agreed framework from which to analyse qualitatively, the political challenges facing investors in different locations, having an analytical framework through which the study can identify and dissect the political challenges was, not only essential for structuring the inquiry, but facilitated in dissecting the political factors in South Africa.

The data analysis framework is outlined next, but in order to help explain how the analytical framework was conceptualised, the conceptual framework based on current FDI determinants knowledge presented in Chapter 5 is now recalled as Figure 10 below as was mentioned, in order to demonstrate its role in the development of the analysis.

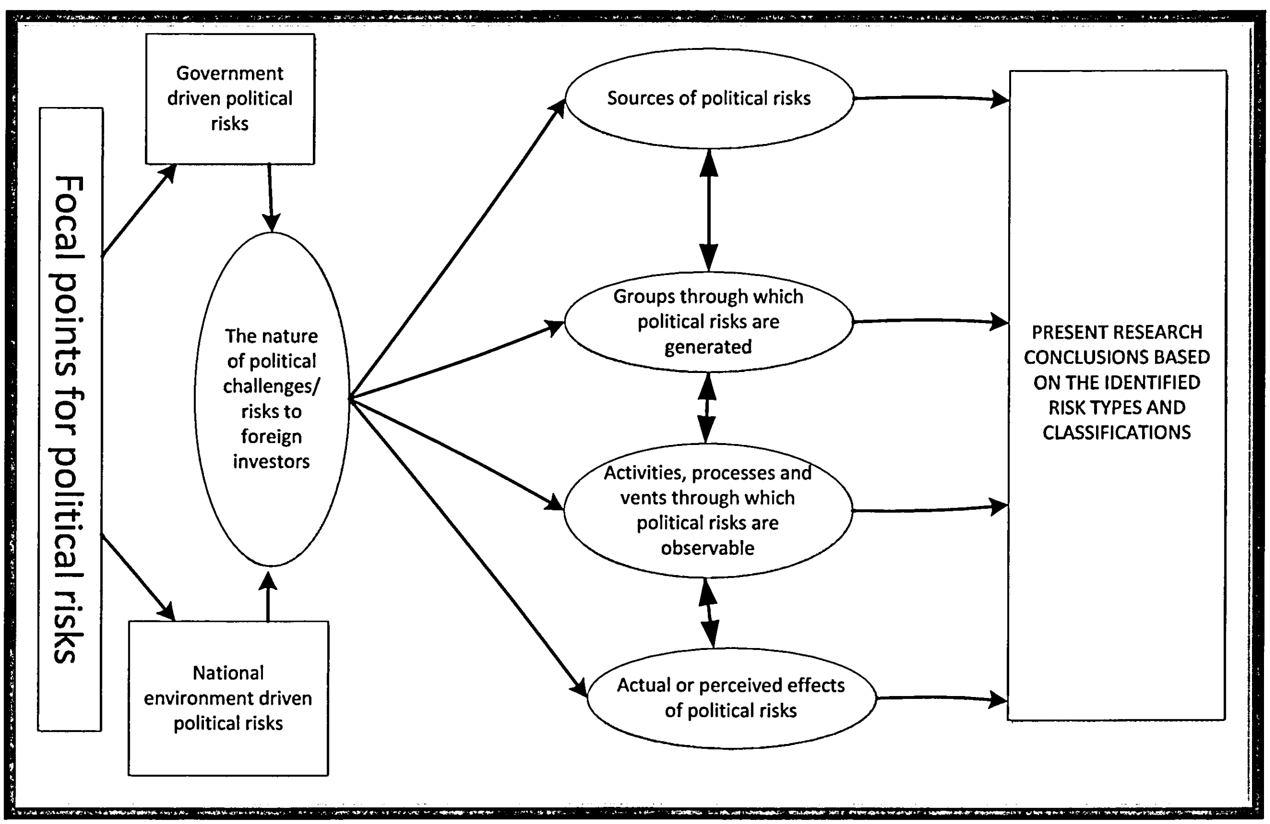

Figure 10: Recalled research conceptual framework
Author (2014)

This conceptual framework has been explained in Chapter 5, whereby the researcher showed how the current state of knowledge is shaped, the gaps in knowledge, the concepts significant for carrying out this study, and most significantly, the research questions guiding the inquiry. Whilst on here, it should be noted that, the coding criteria suggested by Bogdan and Biklin (1998), which will be explained later on, comprises of the forces and sources, processes, groups, activities, events that relates to political factors and risks and challenges (Simon, 1984, Jakobsen, 2010) as shown on the conceptual framework.

7.2.3 The analytical framework

Based on insights from the conceptual framework and a framework of the questions that the study posed, an analytical framework (referred to as the study story-board in this research) was developed in order to systematically and critically analyse, report and discuss the research findings. As will be seen on the visual presentation of the analytical framework presented below, the analytical framework consist of guiding topics derived from the conceptual framework, comprising of elements that are not adequately defined in literature, namely; What constitutes source of potential political challenges or risks, the exposure of the groups or situations through which political challenges and risks are generated, political risk event, situations or occurrences with detrimental effect to businesses, political risk effects with detrimental consequences on investors and FDI, and the risk types to business.

These topics forms the coding criteria used to identify data poignant and important for understanding the nature and types of political challenges and risks in South Africa. As mentioned earlier, these highlighted topics or aspects, are the missing elements in literature, which this study is set to investigate and identify in order to understand better, the nature of South Africa's political challenges and risks to FDI.

More precisely, the analytical framework for data analysis pays attention to drawing out insights that points at what appears to be the drivers or the roots of political challenges and risks to investors (Government and/or national environments), and in order to decipher the nature of the political challenges facing investors within the South Africa economy, the researcher needs to observed if data talks about or mentions factors that points in the direction of the sources of political challenges and risks, the groups through which they are generated, the events, situations or occurrences observable within the country, that are suggestive of political challenges, and finally, the effects these political factors are having or likely to exert on investors.

Such a systematic approach to engaging with data, which is developed from existing theoretical frameworks and new insights, will enable the study to identify data that responds clearly to the research questions, and to then reach at rational conclusions, in as far as the types of political challenges facing the investors in South Africa, and their likely impact on FDI inflows are concerned. Thus, the research will, in the end, be able to draw conclusions, in terms of the nature of the political factors and the contributory elements that are unique to South Africa, since the study vehemently argues that countries are different, therefore political factors and challenges differs in their composition, the level in each country, and the manner in which they impact on FDI.

It is necessary also, to mention that the aspects of the political investment climate illuminated on the conceptual framework in Chapter 5 and explained here, are very much interconnected, but likewise, these aspects and interconnections, are not well defined in literature, and again, signifies a knowledge gap which this study attempts to address. The analytical framework, which is presented below, will be useful later-on for presenting and explaining the research findings in Chapter 8, and for drawing the research conclusions in Chapter 9 respectively.

Table 5: The analytical framework and research story-board for data analysis and interpretation

Forces →	What constitutes as/source of potential political challenges →	exposure of the groups or situations through which political challenges is generated →	perceived political challenges event with detrimental effects on investors and FDI →	perceived political risk effect with detrimental consequences on investors and FDI →	Perceived consequences and risk types to business(extrapolated political challenges)
Government and national environments	1. Socio-economic challenges	Poverty and unemployment amongst citizens (workers, students, civilians) resulting in social and economic inequality Political parties with divergent political, social and economic views and objectives	- Prevailing social and economic situation - The responsibilities of the government in meeting socio-economic goals -The general political atmosphere surrounding businesses and government and the attitude of citizens - The effectiveness of government policies on socio-economic aspects - The direction of political movement in the face of socio-economic circumstances and the anticipated FDI policy direction	Misery and discontentment trigger social unrest and disorder by common interest groups as a result of social and economic inequality eg strikes, violent crime, individualistic behaviour, demonstrations	Political instability resulting in possible changes to the policy/regulatory frameworks to alleviate socio-economic challenges Nationalisation Indigenisation Expropriation of foreign assets Loss of economic freedom Damage to property
	2. Government institutions	Government in power and its operating agencies linked to investors and FDI attractions	- The relationship between government and businesses - The role being played by government institutions - The political influence on the quality of institutions - The efficiency and effectiveness of the government institutions	delays in business transactions	demand for bribes Increased cost of doing business
	3. Regulatory challenges	Government policy making faculties	- The current regulatory frameworks - The effectiveness of the government policies withdrawal from the BIT agreements	diametrical social and economic objectives poling policy challenges	discriminatory economic policies operational restrictions in terms of employment policies, ownership, private property rights compulsory partnerships
	4. Political corruption	Senior government officials	- The attitude of government towards corruption - The prevailing situation in terms of corruption - The influence of political hand on legal and regulatory frameworks	weakening the legal frameworks	increased business vulnerability loss of confidence in the legal system

Source: Current research findings

7.2.3.1 Usefulness of the analytical framework and storyboard above

The analytical framework, born of the research conceptual framework developed in Chapter 5, is referred to as storyboard in respect of this study. It provides the research with a useful and practical system for conducting data analysis, thus, from sorting data into meaningful themes, interpreting, discussing, through to the final process of drawing conclusions to the research findings. As depicted by the framework, each theme has the following components, which are the characteristics that define the elements within, as political factors or challenges. The analytical framework facilitated the identification of data with these following specific features:

7.2.3.1.1 Components of each theme

- What constitutes/source of political factors and challenges
- Exposure of the groups or situations through which the political constraints are generated
- The political challenges events with impact on investors
- The effects of political challenges
- Their consequences to businesses

To give more meaning to the analytical framework above, here is a more elaborate picture of the framework:

The first column shows the origins of political challenges and risks as commonly agreed upon in literature, Column two represents the broad categories of the research findings, which are the major themes, and comprises of what was identified and constitutes as political challenges. Thus, the main themes are the sources of political challenges and risks under which all aspects that relates to political challenges and risks were categorised in terms of matching statements for example, in order to piece together a coherent story about the challenges facing investors and how they impinge on FDI attraction. The third column exposes the groups through which participants were able to identify the various aspects of political challenges and risks presented in this study. Column four demonstrate the actual political risk events associated with the banking sector, which the study participants identified as indicators of political challenges or risks. Political challenges and risk event, according to Simon (1984) entails some occurrences that associated with a political environment in the host country. These occurrences should result in any or all of these risks: discontinuation of investors when business environments are difficult to predict, or there is cause of concern over the future of government policies and direction of operations, or when it is likely that the prevailing social and economic environments are likely to cause political changes or policy changes Simon (1984) all of which should have a "potential for significantly affecting the profits or other strategic goals of a particular enterprise" (Robock, 1971: p7). The fifth column consists of the actual occurrences (Simon, 1984) in this study, the actions that participants said are jeopardising the profitability of the banking industry and the overall goals of the investors. The last column defines the political challenges and risks by way of classifying the risks according to the analysis framework adopted from Daniels et al., (2015). In short, it was at the confluence of these sources and aspects that formed the basis of political challenges and risks confronting current investors and likely to discourage FDI inflows into the banking sector of South Africa.

These following initial conclusions can be reasonably drawn from the analysis:
As illustrated on the conceptual framework, new concepts of how the study differs to previous research will be seen through the research conclusions, whereby the study identifies and classifies the actual political challenges and risks in South Africa, rather than merely confirming whether or not selected FDI determinant factors impact on FDI inflows as depicted by the conceptual framework developed in Chapter 5. In particular, the added concepts such as the risk types or classifications, constitutes the research conclusions, and this is what differentiate this study from previous studies. Thus, in the conclusions chapter, the perceived political risk effect with detrimental consequences on investors and FDI will be classified in the light of Daniels et al., (2015) types of political challenges or risks framework. It is thought that, through this systematic analysis and interpretation, the reader will be able to decipher and understand better, the political investment climate challenges from the root causes through to how they relate with investment operations, which in this case, are specific to South Africa.

7.3 Analytic processes and procedures

This is the stage when the research theoretical assumptions come into consideration in order to ground and direct the actions of the researcher, particularly in the early stages of a data coding process, which in actual fact, is the most important stage of data analysis, because that is when themes that will help paint a picture of the research phenomena are first identified from data. For example, Saldana (2012, p. 4) said, *'coding is not a precise science, it's primarily an interpretive act'* which implies that the data transition process entirely relies on the researcher's philosophical and theoretical standpoints, which also varies amongst researchers. Saldana (2012) emphasised the fact that data coding is an explorative process that seeks to solve a research problem under investigation without necessarily following prescribed formulas, the honour remains with the researcher and the factors driving the research.
In accordance with the philosophical assumptions of the post-positivists, every effort was made to shy away from deriving themes from literature, the existing characteristics of the phenomena or to introduce her preconceived knowledge, values or personal experience, but to allow themes to emerge from data.

It is important to reiterate, at this juncture, that the analytical framework that the research developed was used only as a guiding principle and a tool to help delimit the analysis process in respect of the research questions and objectives. However, this is not to suggest that a priori knowledge should be disregarded completely as it helped guide the direction of the study. As can be seen from the discussion above, the conceptual framework developed from the existing state of knowledge, has been recalled and utilised to facilitate the development of the analytical framework employed in this study. Previous insights suggest very useful perspectives from which to analyse critically, the present findings in accordance the area of research, and the gaps in knowledge that the study attempts to address.

The analysis steps explained next, are adopted from Ryan (2006) and Patton (2005) and are guided by the principles set out in the analytical framework discussed above.

7.3.1.1 Familiarisation with data

Just like most qualitative data analysis techniques, the analysis of data started with the researcher familiarising herself with the data. Data were prepared for coding by listening to tape recorded interviews several times soon after every interview for familiarisation and to check relevance of the data in accordance with the research questions. Familiarising with data was easy because the researcher personally carried out the interviews and later transformed audio data into written form (unlike when one is given data to work on). When one uses an interactive method of data collection, one has the opportunity to listen to verbal responses as well as see the body language that came with every response, and this eases familiarisation process (Braun and Clarke, 2006).

Audio data were listened, handwritten and later typed into a word document, leaving wide margins in which to write notes during coding. Transcribing data was a long and painful process which took an average of 1hour 30 minutes per approximately 45 minutes long interview. Transcribing audio data helped the coding of data because there was need to go back and forth identifying patterns which is not practical if done by listening only. Flipping through pages was much feasible than rewinding or fast forwarding a recorded media. Transcripts also made it easier for the researcher to code and start the data analysis by displaying data and making notes on the transcripts, which was impossible with audio data. For safe-keeping, at least 4 copies of the typed data were printed and kept in an arch lever file. Similarly, soft copies were saved on different storage media and locations.

7.3.1.2 Generating initial codes

The interview transcripts are a critical link of the data analysis process. They encapsulate the participants understanding and the picture of how they perceive and interpret the phenomenon at that time in moment. It is during the generation of themes stage that some post-positivists warns that care should be taken by the researcher in order stay as close to the data as possible (Miles and Huberman, 1994; Ritchie and Spencer, 2002; Ryan, 2006) because he or she is the one who finds and generate them, a re-emphasis of the post-positivist objective postulated by (Trochim, 2006).

As mentioned earlier, in post-positivism, existing literature is allowed to guide the generation of analytical codes but should not obstruct the emergence of themes from data. In that respect, Bogdan and Biklin (1998) suggest some useful coding categories which the research utilised and are also the basic topics of the analytical framework developed specifically for the topic under study, and as mentioned earlier, conceived from the research conceptual framework. As per Bogdan and Biklin (1998) provision on coding data 1) the data codes can be derived from background information on the topic, which in this case, is the knowledge held in the existing literature about the political factors and challenges that normally discourage FDI. 2) They can involve searching for respondents' views, opinions, and presumptions in relation with the topic and the research questions, and may entail the groups, forces, processes, activities and/or events codes, which are basically the status quo of the phenomenon as seen through the eyes of the participants. In this study, the processes, activities, and events for example, represents the sequences of events and changes to the political investment climate over time, the formal or informal behaviours or attitudes of the stakeholders in the environment in question, and generally, the happenings and status quo of the political investment climate.

Coding interview texts was the major phase for this data analysis and required careful analysis of the research questions in order to come up with appropriate codes that will be used to create themes for answering those questions. To avoid neglect of fundamental aspects in data, research questions and objectives were used as guide to select fundamental factors rather than trying to exhaust all the data (Silverman, 2000). Data are scrutinised for evidence of value, attitudes, feelings, fears, anxieties, opinions and suggestions on the political investment climate. These will be used to draw and predict hypothesis investment climate, thereby making practical and theoretical contributions to knowledge.

As Strauss (1987, p. 27) said, 'any researcher who wishes to become proficient at doing qualitative analysis must learn to code well and easily. The excellence of the research rests on the excellence of coding', he emphasised.

It involved coming up with meaningful words or statements that helped discover meaningful patterns emerging from data (Saldana, 2012). Thematic coding basically means categorising data into meaningful topics that organises a group of repeating ideas according to Auerbach and Silverstein (2003), whilst coding is a technique that help to summarise or condense masses of data by combing through text searching for relevant themes that answers the research questions (Gibbs, 2008; Saldana, 2012).

Following Braun and Clarke (2006) advice, once data were in written form, transcripts were read through several times highlighting words or statements that were deemed important for the purposes of the study, by reflecting on the research objectives and questions provided in Chapter 1. The identified words and statements were then given an identity by allocating a number to all recurring words or statements that were related.

To code data, the repetition and recurrence technique for analysing qualitative data adopted from Miles and Huberman (1994) was most ideal. Thus, the word based techniques, word repetition and key words in context were used to identify recurring words, phrases and statements which meant they were important to the subjects:

(1) RECURRENCE: parts of the texts reflecting similar contextual meaning although the respondents may have used different words or phrases

(2) REPETITION: repeated key words, phrases or even sentences in different parts of the texts.

The major issues emerging from interview scripts were then sorted by bringing together similar perceptions to have a list of codes from which themes or categories to represent the list of codes were developed. For example, statements such as 'strikes are common at this time of the year..., we are in the strike season now..., the period of civil unrest...' were all identified by a specific number and automatically fell under same category.

Codes in this study range from single words to short and long sentences or phrases. Whenever deemed necessary, direct statements uttered by the interviewees were used as codes especially when they were regarded as important, or the interviewee emphasis indicates that they were important. This approach was regarded helpful when the researcher wanted to capture the exact words expressed by the respondent, especially when there is need to stress an important finding. Saldana (2012) thought writers' important codes can be highlighted just like a book title, which represents and captures a book's primary content and essence, implying that a code can be anything from a word to a sentence, a passage to even a page.

7.3.1.3 Themes identification

The theme identification involved the process sketched below.

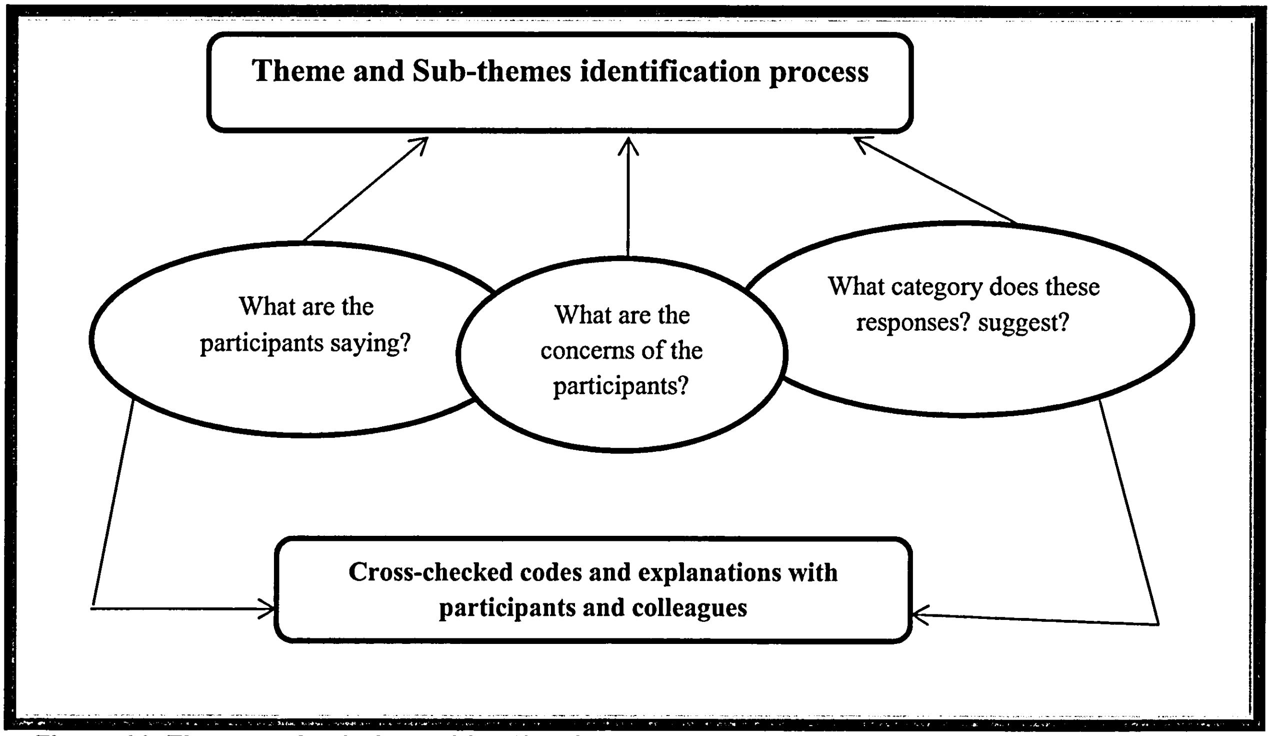

Figure 11: Theme and sub-theme identification process
Author: 2014 (Concepts drawn from Srivastava and Hopgood, 2009)

As soon as the all the data was coded, the researcher started to reflect even more constantly, on the research questions and previous research to establish whether data were capable of providing answers to previously unanswered questions. This process was also done to help identify major themes from the codes as shown in sketch above.

The research questions were addressed by corresponding the codes and themes with a specific research question being addressed. According to Ticehurst and Veal (2000) qualitative data must be categorised and assessed in accordance with the research questions under investigation to meet the overall objectives of the study. These authors emphasised on the need to address each research question, describing how it would be analysed. The main results are embodied in the main themes that explain the various findings under the research questions. In order to pre-conceptualise the overall research findings, the researcher summarises visually, in Figure 12 below, the emerging themes that forms the basis of the new knowledge from the research findings, which were obtained from the critical research question by-research question analysis of the research data. These themes, namely, 1 socio-economic challenges 2 government and institutional challenges 3 regulatory challenges and 4 political corruption, became the overarching themes from which new knowledge are discussed. A diagram, showing the 1) major themes resulting from the coding and theming process 2) are core to the presentation and discussion of the research findings, and 3) have intertwining relationship, is sketched below.

Note that this theming process was done during data analysis and that themes were derived from present data. Demonstrations brought up in this chapter are necessary for understanding how data were framed and themed for analysis and interpretation purposes.

Sketch of the major themes (1-4) demonstrating their interconnections

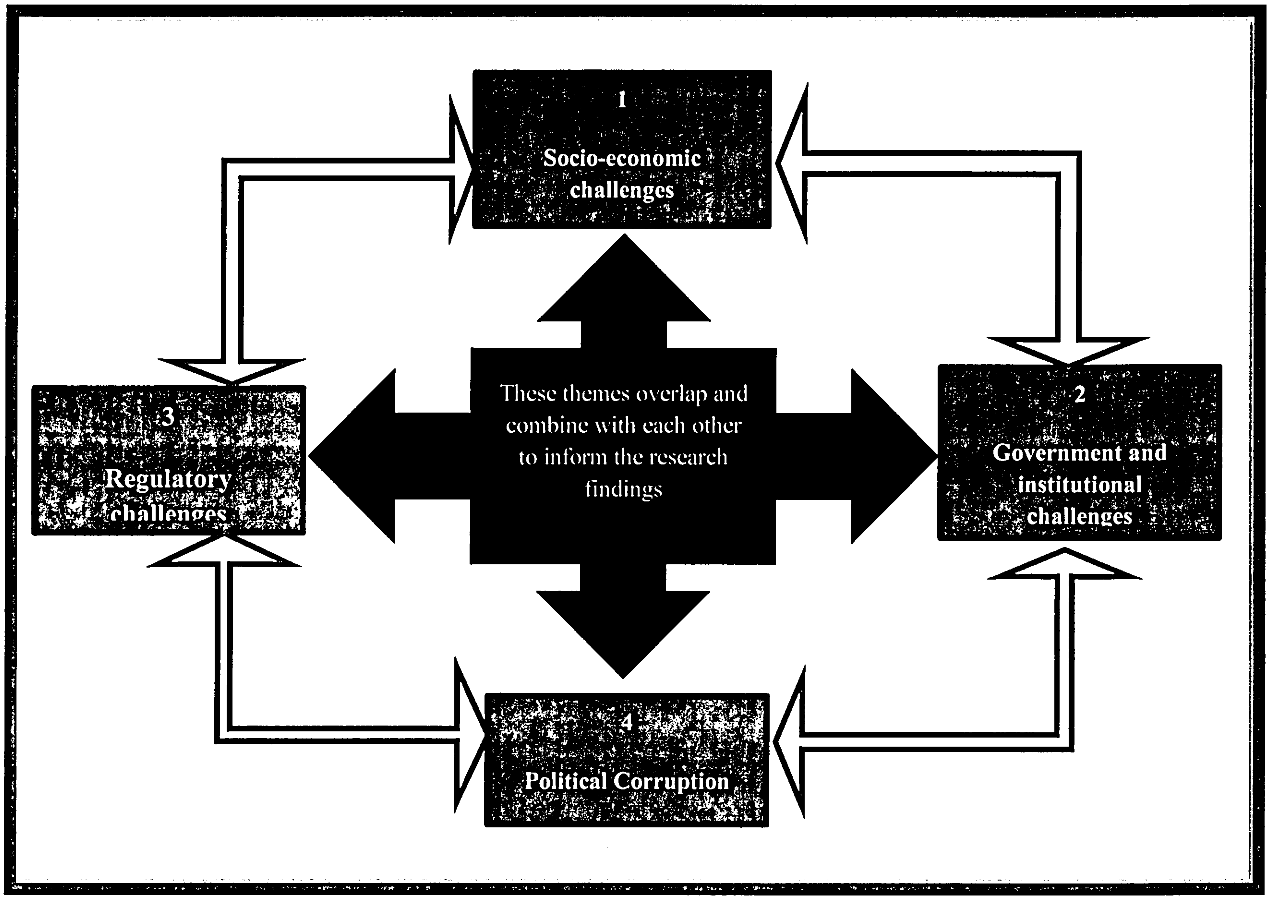

Figure 12: Diagrammatic representation of the main themes emerged from data
Author (2014)

Summarily, the major themes resulted from the number of people who pointed out, mentioned or indicated specific or related statements in terms or word recurrences and repetitions. For example, out of twenty respondents, if more than half of then mention challenges emanating from how the political leadership is addressing the socio-economic problems in South Africa, their perceptions and experiences over the socio-economic problems would be clusters under that specific theme, allowing the surfacing of the four major themes as summarised above. Other issues that emerged were clustered under corresponding sub-themes and outliers, mostly comprising of anything between one and three perspectives, or were distant from the rest of other responses, were considered separately.

This approach to data analysis demonstrates the significance of local investors' input, which was necessary for supporting or interrogating those of foreign investors, whenever necessary.

To qualify as an element of a theme, the word or phrase identified needed to reflect on the analytical framework, which as we now know, is linked to both present and existing insights. For instance, the phrases and words such as socio-economic, political economy challenges, problems and risks, formed the bedrock for theming. Concepts from literature were also considered and they helped shape the analytical framework in as far as what elements are considered as political challenges and risk factors in the existing body of knowledge. A list of key themes was generated by copying and pasting similar subjects (opinions, perceptions, feelings) together. When all themes were noted, they were presented in a tabular format, which is the analytical framework and storyboard presented earlier as Table 5, which summarily list all the codes constituting a corresponding theme respectively.

7.3.1.4 Description of Themes

Guided by the analytical framework, a short description of each theme was jotted, describing that theme, listing elements suggestive of political challenges to investors, and demonstrating how it helps address the research question. So every time the researcher came across a passage similar to the existing theme, she would establish from the description, if the passage fits into that description. If not, a new category would be created. Boyatzis (1998); Braun and Clarke (2006); Gibbs (2008) suggests defining and describing themes, illustrating it with original texts and direct quotes extracted from interview data to enhance the reader's understanding of its meaning. In presenting the findings, themes and subthemes were described before outlining what they are representing in interview data.

A description of a theme, explaining the factors it is capturing, is provided in the findings chapter, just before each finding is presented and discussed. Also, a selection of direct quotes were extracted and used for emphasis purposes during the reporting of findings. The rule of anonymity was applied to ensure none of these will be related to any of the participants.

7.3.1.5 Refining the themes

Even though ideas of what to look for in data and how to identify data significant for the study's objectives were conceived and laid in the conceptual framework, discovering themes relevant for reporting the phenomena from all the three stakeholders' point of view was a no easy task. Ryan and Bernard (2000) highlighted this challenge claiming it is worsened by the absence of meaningful descriptions of how to discover themes in literature. In the researcher's experience, these final phases of the research dragged for a long time. It took approximately 4 months in total, to try and find coherence and flawless fit between themes. The problem was exacerbated by the desire to incorporate everything in data, and trying to bring in too many direct quotes, in an attempt to reflect more on the contextual meaning of data.

This problem is reflected upon in literature: Braun and Clarke (2006) observe that there are chances some themes may not be relevant to the current study. In that case, they can be discarded or archived for future use. For instance, the same data set can yield other lines of inquiry for journal papers or conference contributions. Ryan and Bernard (2000) suggested splitting categories or interweaving them wherever necessary or when a relationship is established in order to arrange data in coherently. Following Dey (2003) suggestions, the researcher was able to mind map numerous themes, integrating, splitting and dropping some that were irrelevant at this juncture.

In the end 4 major themes emerged: socio-economic problems, political/government institutional challenges, regulatory burdens and the political corruption. Wide spectrums of views were identified. Some of them formed very interesting patterns of consistency, surprises and puzzles, contradictions and so on, between the different stakeholders that were interviewed. One particular consistency that is worth mentioning here is the political corruption challenge, mainly because finding out that participants echoed each other was surprising, given that the other group of participants comprised of the government representatives, who investors blamed perpetuating political corruption. Apparently, all the participants including those from government organisations, acknowledged the present and persistency of political corruption.

It is important to mention that all themes in this report are flexible definitions that the researcher created in respect of the research objectives and questions that were asked during interviews. The concepts drawn from literature were however important elements to take into consideration, because locating this study within the body of knowledge, required that the study conforms to some principles that define the body of literature, such as the terms and descriptors used within the field. Overall, each overarching theme is either an element of the force or an identified source of political challenges and risks and consists of the actual or perceived aspects and situations through which political challenges or risks are generated. Thus, either the government or other national environments, which again, as can be observed from the conceptual framework, are the concepts conceived from literature and are connected with emerging insights.

7.3.1.5.1 Components of each theme are recalled here:

- What constitutes/source of political factors and challenges
- Exposure of the groups or situations through which the political constraints are generated
- The political challenges events with impact on investors
- The effects of political challenges
- Their consequences to businesses

Figure 13 is a sketch of the iterative thematic process this study went through.

7.3.1.6 The analytical process

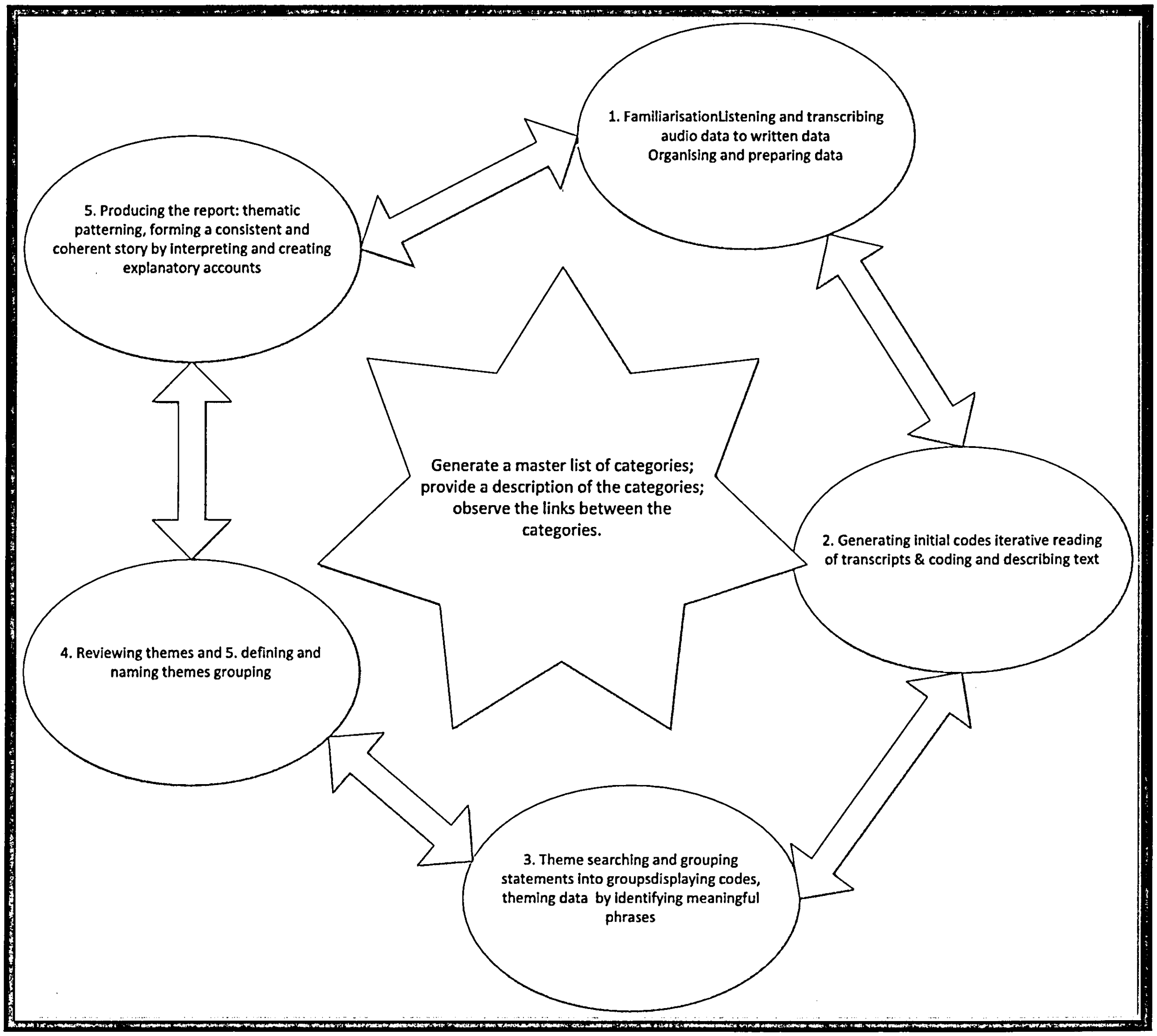

Figure 13: Iterative thematic process
Author: 2014 (Created using insights adopted from Braun and Clarke (2006))

The above chart summaries the data analysis process. As can be observed, the double arrows demonstrate how iterative the process is. Thus, the process has been lengthy and cyclical as there has been constant need to keep on reviewing and refining the categories so that they are; fully analysed and exhausted, in coherence and communicating effectively with each other in a meaningful way, and finally, they satisfy the research objectives and answers the research questions.

7.4 Conclusion

This chapter was concerned about the framing and contextualising of the interview data. Whilst considering the philosophical position assumed in this study, it was necessary to develop an analytical framework through which the interview data were analysed. Thus, the analytical framework, which was regarded as an important tool and was used as lens through which data were analysed, has been developed, explained and presented visually.

The analytical framework was devised to enable in-depth analysis, interpretation and discussion of the research findings, in the light of existing knowledge. The framework was formulated using insights from existing conceptual frameworks on the determinants of FDI, the research objectives and questions, and to a very large extent, concepts that emerged from data. On one hand, taking cognisance of existing knowledge served as a starting point for data analysis, and also helped remain focused on the research topic. On the other hand, allowing analytical codes to emerge from data limited the influence of established research and theories on the present study, and ensured that the study remains grounded firmly, within its theoretical parameters. In the light of these numerous, helpful and useful functions, the analytical framework proved to be a valuable tool for the research rigor and quality.

8 CHAPTER EIGHT: RESEARCH FINDINGS AND DISCUSSION

8.1 Introduction

This study set out to identify the political challenges facing investors in the banking sector through the political lenses. It relied on foreign and domestic banks, government departments and intermediary organisations and individuals for the empirical evidence required to paint an in-depth picture of the South Africa political investment climate in the banking industry. The participants were drawn from the research stakeholder organisations, whose key characteristics were discussed in Chapter 6 (table 5), and are recalled and highlighted in the table below.

Table 6: The banking sector: Key characteristics of the participating organisations and persons

Specific participating organisation	Key characteristics relevant to the study	Job titles of the specific participants included:
Foreign and Domestic banks	-Commercial, corporate and retail banking and financial services -On the receiving end of the government policies and regulations -Utilizers of government services	-Chief Executive Officers -Branch Managers -Regional Bank Managers -Public Relations Managers -New Business Development Directors -Director of Operations -Investment Risk Analysts
Government departments	-At the centre of policy making, enforcement and FDI attraction efforts -Investment support network -Service providers to business operators	-Various Directors: Trade and Investments South Africa - Directors: Bank surveillance and regulatory departments -Compliance Director
Intermediaries	-Political and policy advisory and analysis -Economic advisory and analysis, -Commentating and observing banking sector activities -Investment advisory -FDI tracking and recording.	-Economic Analysts (financial markets) -Political Analysts (financial markets) -Regional Investment Advisors (FDI) -Country Investment Advisor -Economic Policy Analysts -Investment Analysts

Author (2015)

This chapter puts into effect, the analytical framework developed and presented in the preceding chapter, in order to systematically present and discuss simultaneously, the empirical evidence on what was voiced as the current nature and situation of the political investment climate faced by investors in the South African banking sector, and the relationships between the identified political challenges and the inflow of FDI. This sort of approach to presenting and discussing findings has been preferred, not only as an organising principle for coherency, but because reporting and discussing findings simultaneously seems to bring out a richer engagement between the new and the current findings, and this was seen as an appropriate approach to ensure that the deliberations are critically related to the theoretical foundations of the research in a more engaging and readable format.

The order in which the research findings are presented and discussed is as follows: firstly, a brief introduction and an account of the main theme under-which the various rich opinions are presented: first, as neutral evidence, giving voice to the participants whenever necessary, by bringing in excerpts from data in order to epitomise the actual meaning of the feedback, and second, immediately followed by interpretation of the patterns constituting the main theme, the explanations of their meaning, their significance in terms of FDI theory on the political investment climate, as well as the critical discussions in the light of the current state of knowledge as guided by the research questions. At the end, theme by theme conclusions, restating the significance of the new knowledge to South Africa and in terms of the similarities, contradiction between the present findings and existing knowledge, and the gaps the research is attempting to address are provided. It is at the confluence of these preliminary conclusions and summaries that form the basis of the conclusions chapter next.

The following themes address these three specific research questions:

1. What are the political challenges and risks for the investors in South Africa's banking sector?
2. How do political challenges and risks affect investors' operations?
3. How can knowledge of political challenges and risks inform policy to enhance the banking sector investment climate for foreign firms in South Africa and other similar economies?

8.2 Theme 1: The socio-economic factors and challenges

This theme is one of the overarching themes that arose for example, in discussions about the national challenges, yielding data associated with sources of the political challenges facing investors. Driven by elements such as the societal objectives, current societal challenges, and national frustrations, the theme consists of the aspects identified as risk generators, the circumstances and situations through which political challenges are manifesting and are likely to trigger incidents or events that might cause the identified political risks factors and challenges detrimental to investment attractions and operations.

As fully illustrated on the analytical framework presented earlier, this first of the four main themes came into being after considering, from data, the aspects that constitute a source of political challenges or risks. In this case, those factors that related more to the socio-economic environment, namely poverty and unemployment. Here, data that exposes the groups or situations through which the socio-economic challenges generate political challenges and risks were grouped and now integrated into an organic whole.

In literature, socio-economic problems entail those problems that affect humans in a country, particularly those that retard their economic activities and participation (Daniels et al., 2015). The problems are thought to put a direct and indirect strain on the whole society, government, businesses and all the citizens. Essentially, it implies that the economy may not benefit from individuals disempowered by socio-economic burdens. Challenges revealed by this study which were classified as socio-economic challenges include poverty and unemployment, and these have been found to bear a host of other socio-economic challenges commonly mentioned in data.

8.2.1 Findings and discussions

From the beginning of the conversations with different participants, it became clear that many of them are concerned about the circumstances in which the majority of the South African citizens live, because of the descriptive words such as inequality, poor, rampant poverty, abject poverty, that were commonly used by a range of interviewees. As interviews progressed, respondents showed how these challenges are linked to the political investment climate of FDI in South Africa.

For a start, when participants were asked to talk about the general national problems that impact on their operations as banking institutions in South Africa, socio-economic themes such as poverty and unemployment, and how the interviewee perceives them, emerged. Although the issues disclosed under these two themes appeared to be generic and common FDI determinants in literature, they could not be ignored because they helped in colouring significantly, the initial political investment climate picture in South African banking sector.

8.2.1.1 Poverty

The issue of lacking the disposable income and the social and economic inequality amongst the majority of South Africans was mentioned severally. In this regard, the respondents' accounts reveal a nuanced view. For instance, in expressing his opinions on the problem of poverty and how it impacts on current businesses, one Chief Executive Officer with a local bank opened up, explaining how income inequality and poverty impinges on the operations of banks;

"Some people may not think that as investors we do not worry about the poverty levels but we do. Poverty affects me, it affects other businesses too. It is my wish and I think a wish of others in my position that poverty be addressed proactively because it has negative impact on businesses especially us in the banking sector. I can only imagine how big a market we have but I am saddened how small it is in reality. In my opinion, only the government can find meaningful ways to alleviate the long living problem of poverty" [CEO, local bank 2].

This sort of viewpoint was echoed by most investors, domestic and foreign, who from the look of things, were of the opinion that their businesses are dependent upon the balance between saving and spending, for them to be able to sustain a normal business cycle. Some of them viewed poverty as an obstacle to the banking industry, restricting the majority of people from engaging in meaningful economic activities such as household consumption and savings, which in turn limits the money that goes through the formal banking system. After all, reasoned one manager from a local bank, *"money accumulation, circulation and distribution are what the banking industry is there for"* [Manager, local bank 6].

Another senior person, a managing director with a local bank, thought the present economic situation, in which most citizens are, is hopeless for the banking industry saying:

"Despite all the incentives that we implement to attract deposits, the current state of affairs does not support the banking industry. This is understandable, people will need to have sufficient income to be able to spend then save some" [Relationship Manager, local bank 4].

The main concerns surrounding these excerpts above, and similar other views identified from the interviews, seem to point a finger at the impact of income inequality and poverty on the size of the market from the businesses' scope of operation perspective. In the first extracts for example, the CEO of a local bank appears to have associated income inequality and poverty with FDI from the scope of operation and profitability in terms of how big or small the businesses catchment area would be amidst abject poverty. Just like what is observed from other respondents, this excerpt seems to suggest that the social and economic underdevelopment of the majority of the population is a liability to the banking industry of South Africa. In fact, from both extracts, it is apparent that investors believe that poverty is responsible for the shrinking market size and therefore, makes the investors concerned about the progress of their investment in an economy with what they envision as *"abject poverty"* as one private economic analyst described.

One investment analyst echoed the view of investors with regards to the banking business:

"Financial institutions are attracted in countries with growth opportunities, thus, market size and the population. The absence of even the potential for growth, worse still a meagre market size in terms of economic contributors, is very discouraging" [Investment Analyst for the SADC region, Intermediary]

This statement finds coherence in the FDI theories that emerge from the neo-classical theory of international trade and investments, such as the Heckscher-Ohlin model (Heckscher and Ohlin, 1991), which states that the motive of foreign investors, in the first instance, is profitability of their investments. In the Thomson Financial report cited in Soussa (2004) Africa receives the least bank FDI because of the absence of growth potential and inequality that impacts on the scope of the market. Thus, banks are thought to be attracted to invest in countries that promise long term customer relations and deposits, because handling deposits and lending, is the basis of the banking business. In essence therefore, locational advantages in terms of a strong and growing economy, as well as equality (Berger, 2000) strongly determine where the banking investors eventually go (Caves, 1971). It seems the notion still guides today's investors because, in this study, as with others in the international business literature such as Dunning (2006); Wagh and Pattillo (2007); Daniels et al., (2015), poverty can be a strong factor that determines FDI inflows because it is quite multidimensional in nature. Firstly, poverty denotes a situation whereby people or a community lacks the basic necessities for sustaining basic life and standards of living, which includes commodities such as food, shelter, water. To some extent, the communities lack facilities for education, health, water and sanitation, and such a lack may be a source of political factors and challenges through events stimulated by anger and frustration.

Additionally, as participants highlighted, the consequences of poverty to bankers also lies in its ability to shape the banks business environment. Thus, when people cannot afford basic life necessities, the chances of engaging in economic activities that requires the services of banks, are very limited (Berger, 2000; Daniels et al., 2015). From the bankers' point of view, it sounds logical to be perturbed by the inability of the majority of the people to participate meaningfully in the economic activities that involves the services of banks. On a broader perspective, according to respondents, the sequences of events due to poverty, such as public frustration, also worries investors.

A regional investment analyst with a foreign bank commented on what appeared to suggest the banks motive when they invest in foreign countries:

"If you look at the rest of the SADC region for example, poverty is the commonest challenge. Look at Zimbabwe; go to Malawi or Zambia, all the same. Banks invest in a country with the vision for entering other regional markets once they are in South Africa, they also look to spread into other regional countries but the countries are poverty inflicted just like South Africa" (Regional Director, NEPAD)

This director's observations support Berger (2008) propositions that regional diversification, necessitated by the growth potential in a specific region, attracts the inflow of FDI. Thus, perhaps, poverty in the SADC region, might affect the operations, growth and flows of FDI in the whole region.

Although the relationship between poverty and FDI has not been given much attention in the context of South Africa, the available perceptions suggest that foreign bankers seeking investment opportunities in foreign locations view the size of the market, which in this case is negatively impacted on by poverty, as a significant factor for their growth and profitability, a proposition postulated by Hymer (1976). This seems to emanate from one simple reason; a healthy business cycle of a banking sector is one that is defined by a balance between consumer spending and savings because basically speaking, this is how banking businesses are sustained.

Regarding the South African market size (population) considering the problem of poverty in general, the investors' in particular, is largely confirmed in literature in terms of the country's levels of income inequalities. According to the World Bank (2013) the South African Gini-coefficient, a common measure for income inequality, is said to be .65, a figure quite close to 1, and is believed to be one of countries with highest inequality followed by Bolivia at .58 and China at .55. Gini-coefficient measure implies that a score of zero denotes perfect equality amongst citizens whilst a score of 1 implies perfect inequality. The closer the measure is to figure 1, the higher the inequality levels according to Gini (1912) cited in (Dorfman, 1979).

Although not in the context of FDI as such, the problem of poverty in South Africa has always been widely reported and acknowledged, giving some theoretical foundations from where the phenomenon links with investment operations. For instance, before the end of apartheid, Wilson and Ramphele, (1989) reported that 50% of South Africa's population, which by then was just under 40 million according to Statistics South Africa online publication (Statistics South Africa, online 7 March 2014) lived under poverty datum line, and most recently, in fact close to two decades after apartheid, Ozler (2007) examined the poverty and inequality levels in South Africa and reported that 68% of the citizens (of a 45 million population approximately) were living in poverty in the years 1995 - 2007. These statistics clearly paint a disturbing picture about the South African market to investors.

The present finding supports the perceptions of Murphy, Shleifer and Vishny (1988); Moshirian and Van der Laan (1998); Berger (2008) who all concur that income inequality negatively affects the size of domestic demand and therefore it impacts negatively on both foreign and domestic investors, particularly when they rely more on domestic demand for their investment success. Rationally speaking, Murphy, Shleifer, and Vishny's premise is quite appropriate for South Africa or any other economy, because domestic demand is what is thought to attract banks and is measured by the levels of Gini-coefficient (Gini, 1912) or size of the market, which researchers such as Moshirian and Van der Laan (1998) believe is measurable by the size of the population that demands for banking services as well as the national income at large. Although as literature reviews revealed, there are many other factors that motivate different kinds of investors in different economic sectors.

To a large extent, the size of the market is seen as the variable through which investors analyse and explain the economic status and condition of a host country (Sichei and Kinyondo, 2012). By observing the GDP per capita and the population size for example, Dunning (1980) assumed that investors should be able to predict the market potential and performance in business values. As mentioned in Chapter 4 in the market size section, FDI postulates the profitability of their investments by calculating the number of potential clients for sales prediction and the subsequent potential demand for the output and services based on the population, resources that the firm may want to source, employment levels, and the greater purchasing power presumably, all of which are the minimum threshold requirements necessary for FDI (Dunning, 1993; Sichei and Kinyondo, 2012).

With regards to the banking sector, the finding supports findings put forward in existing literature about the views of bankers in relation with market size. In the banking sector, the size of the market has been found to be a significant FDI determinant, although research can be thought of as geographically biased in terms of concentration mostly in the developed countries. A number of researchers in other national contexts have asserted that foreign banks seeking opportunities in foreign countries are concerned about the size of the financial market, the size of the banking sector, particularly in terms of the size of the foreign banks' pre-existing clients from its domestic market (Goldberg and Johnson, 1990; Fisher and Molyneux, 1996; Yamori, 1998; Mutinelli and Piscitello, 2001).

8.2.1.2 Unemployment

The other recurring aspect with similar consequences to poverty which data demonstrates, are the growing levels of unemployment and the consequences thereof, particularly the inhibition of market growth prospects for the profit prospects of investments. The respondents relate unemployment to poverty because of the very similar impact it has on investors' scope of operation. A number of views were expressed, and the following quote from one of the foreign bank senior managers, which bemoans the challenges of rising unemployment in relation to business and economic cycles in the country sums up the general perceptions held by the majority of the interviewees;

"The problems are so complicated and beyond our control, for example poverty, it cripples business. Lack of development means less employment is created because businesses are not expanding or no new projects are attracted. Then what next? Levels of unemployment escalate. It is a vicious circle; it

comes back to us, shrinking our market. When people are not employed it means they are not earning any disposable income, therefore not much funds are circulating in the economy, let alone saving. Banks, perhaps more than any other businesses, depends on money circulating in the system" [Operations Director, foreign bank 1].

From this director's standpoint, unemployment is worrying investors because again, just like poverty, it directly reduces their market size and the scope of operation subsequently. Unemployment as literature suggests, gives birth to poverty because when people are not gainfully employed, they lack disposable income needed to maintain healthy business and economic cycles. Again, it seems the geographical size of South Africa and the current population size is not an FDI attraction factor in the presence of high unemployment. Banking investments are attracted by the number of people from the total population that constitute a potential customer base from which they can anticipate progress. As previously highlighted, market size, according to Campos and Kinoshita (2003) is a measure of market or domestic demand in a country.

Unemployment rate denotes the share of people who are not in any form of paid employment but are seeking employment (Market (2004) Daniels et al., 2015). Given the levels of unemployment in South Africa, that the literature reviews unveiled, it is clear why the problem is triggering concerns to current investors. For instance, Kingdon and Knight (2007) concluded, after drawing from Charmes (2000) cited in Kingdon and Knight (2007) that the country has the most unemployed people compared to other African countries. Charmes's suppositions were confirmed by Kingdon and Knight (2007) who provide South Africa's unemployment trends from 1995 - 2003, and their results showed a sharp rise in unemployment since 1994, a result that was corroborated by Klasen and Woolard (2009) when they also reviewed unemployment trends in South Africa.

In more recent studies also, Beinstein (2014) and Nattrass (2014) have, on separate occasions, uttered their concerns about the phenomenon too. Particularly as results of a National Labour Force Survey and the World Development Indicators cited in Nattrass (2014) places South Africa at the very top level on the world unemployment ratings. That rating is not a healthy scenario in as far as current investors are concerned, perhaps this can be said in relation to foreign investment attraction too.

8.2.2 Key observations related to the socio-economic challenges

The present study supports the assumptions on the poverty and unemployment link with the political investment climate. As evidenced by findings discussed above, the problem of poverty and unemployment seems to be the sources of political challenges other than just the market size implication on the businesses, as demonstrated in the respondents' feedback when they were asked to elaborate further along the lines of the poverty and unemployment and how they link with the political investment climate. Participants' feedback provides rich answers to the research question seeking to identify the political challenges facing investors, of which challenges of poverty and unemployment have related significantly to issues that are likely to trigger political challenges to investors.

For instance, it came to light that many respondents had the opinion that poverty and unemployment are contributing to the wide-spread civil disgruntlements and the subsequent civil unrest they are experiencing in the South African business environment in general. In particular, some respondents were concerned about how the challenges are disruptive and distractive of businesses day to day operations, whilst some felt they are more than likely to impact on the stability of the political climate in terms of policy continuity and stability, as well as economic stability in terms of business profitability and sustenance.

Participants' views on the events, activities and what the majority of the interviewees believe to be indicators of socio-economic challenges, that were related to poverty and unemployment, and thereby emerging as elements of the socio-economic environment includes; crime and social unrest in the form of strikes, demonstrations and employment disputes. These sorts of activities were said to be commonly experienced in South Africa, and affects investors in numerous ways. The following statement is brought in to sum up the domestic and foreign investors' opinions in relation with poverty and how it links to political climate of FDI;

"It worries me to see that there is still a lot of suffering amongst the majority of the people, particularly which the government is failing to provide for the basic necessities for life such as houses and sanitation. That alone, spell-out trouble socially, which can cause catastrophic problems to us. It might not be today, but certainly in the near future" (Director of public relations, domestic bank).

The sentiments expressed by this director were in line with what many other respondents expressed. They mentioned that they are concerned about the levels of civil strikes and street demonstrations, which to them, are a sign of discontentment in the society, and those sorts of incidents worries them. Similarly, some of the participants associated poverty and unemployment with the general civil crime and insecurities businesses fear as exhibited in this statement.

"Poverty is a cause of many social problems in this country if you ask me. Where else in the world besides here have you seen so much concern about property and people security? Gates and walls so high, enormous fearsome dogs manning the properties. The problem is poverty and people can do

anything to live. The question you should ask is perhaps, until when? Because people will get fed up and demand for change just like they (ANC) did" [Chief Executive Officer, foreign bank 10].

Apparently, and as the above excerpts demonstrate, the two main issues, namely civil unrest in the form of strikes and the crime levels in South Africa are elements of the socio-economic challenges that are at the centre of respondents' worry, as most of them linked these aspects to circumstances causing or likely to cause the political instability which in turn, is affecting their progress, and is also likely to discourage FDI inflows. For example, when respondents were asked to elaborate on the relationship between the challenges they raised and political investment climate, both foreign and local investors seemed to agree on the fact that the unresolved socio-economic problems can trigger political problems capable of destabilizing the economic policy or the political environment of businesses. It appears the worry about poverty and inequality, and how it relates to political spheres of the country, lies in the fact that poverty in South Africa is linked back to years of racial segregation and is therefore a political phenomenon. This is because the majority of investors and intermediaries did not hide the fact that they fear economic, policy and political instability because of the likelihood that civil discontent forces government to change policies, or civil unrest may continue to cause disruptions that affect investors. Seemingly, the fear of the likelihood that current socio-economic challenges in the form of strikes for example, will trigger policy changes is hindering business progress. For that reason, some investors mentioned that they have not made any significant developments in terms of growth or expansion and are even fearful to make any further investment commitments besides what they currently have.

"It's never clear what tomorrow will be like. Too many people are not happy obviously. The worst thing is they take it up to the streets. Government offices are their target but it never ends there. Aspiring politicians take advantage of the demonstrations to inspire more anti-government demonstrations. So it is never clear what the government will do to address the plight of the unhappy people, but as far as I see things, policy changes in as far as indigenisation is concerned, is inevitable because the government has no other means to address income inequality" [Political Analyst, intermediary].

From this analyst's contribution and those of other political and economic commentators, it appears as if the socio-economic challenges facing the country are associated with policy changes that may bring systemic political risk or can deteriorate to catastrophic political risk to investors. Systemic political risks occur when foreign business faces investment challenges in international business environments as a result of previous or inherited political challenges (Daniels et al, 2015). Systemic political risks are characterised by substantial changes in the business policy frameworks of the host country and may have direct impact on the whole market structure or to specific business sectors. Actual or anticipated systemic political risks cause foreign businesses to avoid countries likely have unstable policy environments due to shifts in economic, social and political objectives and views (Daniels et al, 2015). Foreign owned businesses fear of systemic political risk emanates from previous incidents whereby host countries can nationalise or expropriate foreign assets in a bid to address socio-economic challenges, like what happened in Venezuela (Hess and O'Shaughnessy, 2007) cited in Daniels et al., (2015). The extreme end however, catastrophic political risk, occurs when civil unrest deteriorates and violence capable of paralysing the economic activities erupt, instigating radical political and policy changes. These sorts of challenges cause damage to businesses especially foreign business (Daniels et al, 2015). Foreign investors in particular, are most likely to be affected most, should policy in the light of income redistribution are effected. Foreign investors worry was spelt out in their response to the question; **what characteristics of the political investment climate matters to the current investors in the banking sector?** To which a number of issues were voiced, here is what one of the interviewees said;

"Although laws have been very stable and protective about private properties, anything is possible when it comes to how government is likely to find solutions to the problems the country is facing. Foreign investors have been the victims of the reform process and we will still be whenever it becomes necessary I think" [Investment Risk Assessor, Banking industry].

Another interviewee added,
"Our security is not guaranteed, at least not when the government is in the process of cancelling the investment agreements that it entered into, which were the backbone of foreign investment in South Africa" [Public Relations Manager, foreign bank 8].

The other question in line with the views expressed by the participants was the way these challenges affect FDI operations. Two discrete events and processes constitute investors' worry. Firstly, uncertainty in the business environment due to the unpredictability of the political and policy environment appears to be the most important and significant determinant of FDI in South Africa, given the prevailing socio-economic environment.

Secondly, there was a general feeling that the government is under pressure politically, economically and socially, when it comes to economic policy making and implementation. For instance, quite a large proportion of the respondents feel that the socio-economic problems in the country influence the direction and flow of economic policies and reforms. In that respect, socio-economic disparities remains a dominant factor blamed for the policy challenges affecting the policy making institutions and the investors, who are at the receiving end.

Although it was not possible to get comments from the government participants regarding the issue of Bilateral Investment Treaty cancellations, a substantial body of media reports, for instance (Marais, 2012; Green Adam, 2012; Vegter, 2013) as well as the report by the UNCTAD (2013) confirmed the investors claim about the government move against the previously agreed international investment agreement. Further, participants worry appears to be heightened by the fact that foreign investors have been and still appear to be the most targeted by the government as a strategy to facilitate income balances. Policies such as Black Economic Empowerment (BEE), erected to alleviate socio-economic inequalities, are directed towards FDI, and this has been widely voiced as burdensome by the majority of the foreign bankers.

It was also necessary to learn whether participants realise their roles to the economy, particularly the foreign investors in South Africa, in order to understand better, what they think is the most appropriate strategy for a better government-FDI relationship; to which most of them demonstrated some general understanding of what their contribution to the economy could be, although most of them emphasise that they are only be able to make significant contributions if they are supported in their operations rather than seen as the problem. One Chief Executive Officer unhappy about the BEE mandates on employment and ownership said;

"I believe the contributions we can make depend on how the government cooperates in the process. Like I said earlier, forcing us to employ a specific group of individuals is not the solution to unemployment. The solution lies in making our operations better, then utilise the income from investments to develop people first before they can say employ him or train him. We do not have the resources and cooperating is jeopardised" [CEO, foreign bank 6].

This is quite revealing in that it brings out the feelings of foreign investors on the use of restructuring policies that targets them. As exhibited in the above statement, and indeed numerous other utterances, it is clear that foreign investors feel they are treated unfairly and therefore sees no reason why they should cooperate towards the national goals. This raises the question, how do potential investors feel under such circumstances.

Whilst still on the same line of thought, the researcher needed to establish if participants have suggestions on how their investment climate can be improved in order to determine what would attract FDI inflows, therefore she sought participants' *opinions on how the investment climate can be improved.*

Throughout the interviews process, respondents uttered or suggested what they believe should be done or how the government should approach the economic restructuring process. Respondents called for the involvement of key stakeholders, and working as allies instead of creating a power distance between the government and the investors. Some told of how they see some of the economic policies as hubs for inappropriate behaviours by those in authority, hence the reason the strategies are not effective.

One political analyst said

"I don't think there is much care put into what the policies are achieving in as far as their purpose is concerned. As long as those on top achieve their personal gains, I think the rest is not important. If there was any concern, by now, it should have been seen that the policies are not failing somewhere and appropriate action should have been taken to make sure policies are living up to expectations" [Political Analyst, Intermediary].

Going back to the issue of civil unrest and how it relate to political instability, it can be observed that the views expressed and summarised above are suggestive of the fact that an unhappy citizen is a potential hazard to the investment climate because he or she can rebel against the government, forcing regime changes or impel the government authorities to change policies.

It was however, interesting to find out that, when asked why they are worried about the problem that they have lived with for more than 20 years, most participants who have been in South Africa or have been familiar with the South African investment climate since 1995 disclosed that they have been always worried about socio-economic challenges and the impact they can exert on their investments. Their worry however, they emphasised, is now being exacerbated by persistent related problems that never used to be as common as now, specifically the civil and labour unrest commonly experienced every now and again. Also, these problems have linkage with political factors because South Africa's economic reforms are built around the agenda to solve socio-economic challenges.

The finding that South Africa's socio-economic challenges, which this study links to FDI determinants, echoes recent assertions put forward by Beinstein (2014) who wrote about the worsening situation in South Africa with regards to the local government unrest compared to previous years. Beinstein (2014) further mentioned that when unrest occurs, it is now of a violent nature, and as the current study finds out, the nature of social unrest is causing the investors to worry even more.

A few more commentators have also made references to the increasing numbers of civil rebellions due to socio-economic challenges. Recently, Alexander (2010) reported that South Africa has suffered civil protests since 2004, which he ascribed to rebellion against persistent inequalities. Alexander's findings, with which this study concurs, also report a series of civil uprisings which he also ascribed to socio-economic inequality. Civil discontentment is also noted by Atkinson (2007) and Booysen (2007) who agreed that the problems triggered by socio-economic inequality started to show in 1994 and have been on the increase ever since.

Broadly speaking, the hypothesis that socio-economic imbalances cause civil rebellion and that the chain links to the destabilisation of political investment climate has long been debated because in as early as 1975, Ake (1975, p271) draws our attention to the view that; *"... when the members of the society choose to act politically by rebelling against the government or disobey the power stratification system because of social and economic suppression, this is political instability";* views with which, Alesina and Perotti (1996, p1203) concurred saying;*"... A large group of impoverished citizens, facing a small and very rich group of well-off individuals is likely to become dissatisfied with the existing socio-economic status quo and demand radical changes. As a result, mass violence and illegal seizures of power are more likely".*

The hypothesis is still accepted and linked to recent examples, and the analogy can be useful in explaining the investors fear in South Africa. Fawzy (2012) alleges that the political uprisings in the Middle East and North Africa (MENA) region were triggered by a host of socio-economic related disgruntlements leading to rebellion against the respective government.

As the literature highlighted, with regards to the MENA region, indicators of looming political instability were apparent in countries that have recently experienced civil unrest due to dissatisfactions arising from government and political continuity. Popular examples of civil wars in 2011/12 include those of Egypt, Libya, Yemen and Tunisia. Many other countries have suffered political instabilities emanating from internal pressure groups pressing for change in political, social or economic situations and reports linking the same can be seen in these publications (Alesina and Perott, 1996; Svensson, 1998; Abadie, (2004).

These premises on political unrest triggered by socio-economic anger are particularly interesting as some respondents in the current study shared similar views, with some even relating South Africa's socio-economic situation to countries such as Libya and Egypt as mentioned by one of the political commentators interviewed:

"If history can repeat itself, I honestly believe that there will be political uprisings to overthrow ANC in the near future, not in the long run but near future. Poverty will definitely drain out the remaining patience in poor people. ANC did that to dismantle apartheid, why do they think the same cannot happen to ANC. It has happened in Libya and Egypt and many other countries and it will happen here. I just think it is a matter of time" [Political Analyst and Commentator, intermediary].

Most bankers share similar sentiments, agreeing that socio-economic issues are indicative of an unhealthy situation that may impede on business operations. A statement by one of the directors interviewed reflected the common feeling amongst foreign and domestic investors:

"It is a reality that ANC is under pressure given the rise in political parties formed recently, who, most of them, opposes the government stance on the poverty and inequality. Some are very powerful and are the force behind the daily strikes and demonstrations we see distracting the flow of business activities" [Director of Public Relations Office, foreign bank 1].

Reflecting on what respondents said about the current socio-economic situation and the various views gathered from literature, South Africa's situation surely mirrors that of the Middle East and North Africa region. Also based on the evidence in literature, it is fair to suggest that the investors' worries about the stability of policy and government continuity are justified, for it is logically impossible not to be perturbed by such disconcerting imaginations. Living evidence so far, lay in the rising levels of labour and civil unrest to which the government reacts by suppressing people's concerns using military and police power, in some instances, killing quite a number of people. The mine workers who were massacred during the Marikana incident in 2012 are one such example.

The relevance of the Marikana incident was brought into conversation by one managing director of a local bank who said:

"The banking business is sustained by the economic activities happening in other sectors. The mining and agricultural sectors are the backbone for the banking business in this country. Any disruptions in these sectors and any other sectors really, would be detrimental to us" [Managing Director, foreign bank 8]

This statement paints a clearer picture on what appears to worry participants when there is unrest not directly in the banking sector but other economic sectors. It seems inevitable to avoid negative consequences of political challenges on banks given their reliance on other sectors.

Other participants think that the destructive and repressive actions the government adopts, clearly signal the dearth of democratic values expected to be defining the rules of the economic and social lives in South Africa. It is because of such reactive measures that some respondents are doubtful of the government's ability to deal with problems of social nature as one of the participants stated;

"Today, in this time and age, we witness a government suffocating democracy by extreme actions such as killing the people who they very much know why they are toy-toying and making noise. I just think

such actions demonstrate that the government's strategies for addressing the socio-economic challenges have reached a dead end" [Political Analyst, Intermediary].

Taking views in literature, it may be argued that the respondents' view on social democracy that was claimed in 1994 is weakening and in its place seems to be authoritarianism, which seeks individualistic political and economic actualisations, rather than the social wellbeing of the nation, as the following statement suggests;

"Democracy is on paper here, there is no democracy where social issues are ignored or when the people meant to be safeguarded by democracy are repressed like that. Only a handful of individuals are enjoying democracy, which in my view, is not democracy because whatever they achieve, is attained only if one is in the circles of the authorities" [Director of Economic Analysis organisation, Intermediary].

This view echoes the opinion of Southall (2014) that questions the strength of democracy under African National Congress, although at that time, he was referring to the economic division that still characterises the country. In this study, the doubts about the democratic status in South Africa are drawn from actions demonstrated by the government, for example repressive reaction to labour disputes, which are typical of those the apartheid regime used. Although not directly related to the banking industry, the Marikana mine workers saga is just but one of the many incidents characterising the relationship between the labour market and the government. More so when the levels of strikes and civil disorders characterises South Africa's day to day activities in big cities.

In the business environment, incidents such as this one are suggestive of the absence of democratic values in government structures and may signal investment risks in terms of policy and political risk. Those who have done some work on good governance and FDI for instance, conclude that democracy matters to investors because it indicates the wellbeing of the economy (Weiss, 2000; Globerman and Shapiro, 2002; Alam et al, 2006). IMF (2009) reported that when democracy is violated, investors' rights, freedom and easiness of doing business are greatly compromised. For instance, business and trade contracts may be dishonoured and rules on paper may not be practised anymore.

Generally, the views expressed by respondents, seem to validate the above references which suggest that socio-economic problems trigger political and economic instability. It is a fact that when strikes happen, for instance, there will be disruptions and destructions in the productive activities of all business. In fact, there are many economic costs to investors that can be associated with civil or labour unrest such as economic stagnation due to stoppage of economic activities, theft and destruction of business assets, and death, which cannot be ruled out in such circumstances.

The event and activities discussed here also links to the changing political investment climate that participants worry about. It is apparent that investors worry about the uncertainty of business environment, given the complicated mesh of unresolved socio-economic issues that South Africa is faced with. For example, the longer it takes for economic and social inequalities to be addressed, or rather for majority of poor people to see significant changes in their social and economic statuses, the more the socio-economic challenges with adverse effect on the business environments. This appears to be the reason why investors are anxious and worried about the future directions of politics, policy frameworks and their investments in South Africa.

Besides the already displayed effects that the two problems, poverty and unemployment, have on investor performance and profitability (in terms of market size and business cycles) this study supports previous findings in literature, which provides more insights into the challenges that socio-economic problems can present in the businesses' operating environment. Of particularly interest in the discussions are what moves the government would make or what would happen if the government does not succeed in addressing the problems of income inequalities. The worry particularly that of foreign investors, seems to emanate from the country's political history of apartheid, which manifested the income inequalities afflicting the country.

Firstly though, the researcher refers to literature to provide some insights into the relationship between socio-economic development and the policy/political environment, in order to help to comprehend why participants are uncertain about the future of the economic and investment policy climate.

The socio-economic inequalities, having been inherited from the previous apartheid government since 1994 according to some of the writers on the South African social and economic phenomena such as Beinstein (2014) for example, have been the major issue the current government has been trying to redress through economic restructuring strategies (Tangri and Southall, 2008: p699- 716). Economic reforms such as the ones prescribed under the Black Economic Empowerment (BEE) programme, which are the government's attempt to steadily resolve the income disparities facing the nation (Ponte, Roberts and Van Sittert, 2007).

Such economic reforms, in the view of foreign investors for instance, are of great concern. Uncertainty levels are on the increase because they believe the current mandates in the Black Economic Empowerment (BEE) are either inherently or are being made ineffective, and therefore are failing to transform the economy. This finding supports previous claims by Ponte, Roberts and Sittert (2007) and Southall (2005, 2007) who on separate occasions have also contested the effectiveness of BEE. In as far as the socio-economic phenomenon is concerned; ineffectiveness of the economic reforms is shaking investors' confidence on economic and political climate stability. Although data show that all investors are worried, foreign investors are particularly more worried because they cannot help questioning the stability of economic policies and political stability, in the face of unchanging socio-economic statuses. So in essence, socio-economic problems of income inequality, unemployment and poverty are strongly believed to jeopardise the stability of the economic and political environment of foreign investors.

In the above deliberations, elements of the socio-economic environment, believed to be embedded with a host of political risks and challenges, and are suggestive of destabilising the political investment climate have been presented and discussed under the broad theme socio-economic challenges. The prevailing socio-economic situation in South Africa emerged as one of the broad sources of the drivers of political challenges hindering the current investors in the banking sector according to the participants. Recurrent themes, poverty and unemployment respectively, form the basis of the political challenges and risks this study unveils. The social environment appears to comprise of several politically motivated events, activities and processes which strengthens the supposition that socio-economic factors in South Africa, are key to the generation of political challenges and risks to investors, and hence their inclusion.

Although the problem of social and economic inequality in South Africa is widely debated, this research has shown that it is imperative to understand its impact on investment from an investors perspective, by seeking the investors' views on the political investment climate at large, from identifying the forces, sources, events and right through to identifying and relating the effects with existing knowledge, in order to decipher what the gathered data means. This is particularly important, especially when this study revealed that the methodologies dominating the existing researches have not been factoring in the socio-economic aspects into the econometric survey instruments when analysing the political investment challenges.

It can be observed from the discussions, that firstly, a recurrent opinion in the analysis was a sense amongst interviewees that poverty and unemployment generally reduces the bankers' scope of operation in that the size of the market is reduced despite the size of the population. Moving on to the area of focus for the study, it is important to mention that the evidence analysed in this study strongly suggests that socio-economic challenges in South Africa are believed to be responsible for shaking the investors' confidence, appears to be originating from the government' failure to alleviate the socio-economic troubles, hence the national discontentment, manifesting in a number of events, activities and attitudes such as: nationwide mass strikes and demonstrations, individualistic behaviours such as violent crime and corruption. A common view amongst the majority of the interviewees was that the presence and ability of the societal problems to generate the events and situations threatening the success and stability of the political investment climate, which in turn dents investors' confidence, in as far as the future of policy, safety of investments, and profitability of investments are concerned.

On the challenge of poverty and unemployment, or the general social and income inequality, and how these drive political challenges and risk to investors in general, the commonly shared opinion was that, the lack of jobs translate to "abject" poverty, and the unshifting social and economic disparities translate to the majority of the populace lacking life's basic necessities, all of which have been linked to causing the national frustration, triggering civil unrest by common interest groups. Regarding civil unrest, it is the profitability of business plus the security of investments that evidence suggests is at risk, and a number of issues were mentioned in line with this viewpoint. For instance, some interviewees felt that strikes and mass demonstrations that have prompted people to call South Africa "a world capital city of strikes and demonstrations" are not only disruptive and distractive to their operations, they said they are a sure sign of political unrest, which in their eyes, translate to a bed of political challenges and risks to their investments. This point of view, surfaced mainly from the understanding that when there is national unrest such as those currently evident in South Africa, a government is likely to shift policies in a bid to alleviate the challenges of that nature. Respondents' fears, particularly the foreign investors, in the light of policy uncertainties, appear to be strengthened by the government reaction to the BIT agreements, which has seen, so far, according to the UNCTAD, cancellation of major trade and investment deals with FDI from Europe for example. The "mushrooming" according to one interviewee, of political parties with divergent political ideology about economic policies and objectives, also emerged as a cause of worry in foreign investors mainly.

The findings have supported previous works that established the presence of socio-economic problems in South Africa, but went further and revealed the connection they have with the political investment climate, which otherwise would have remained concealed given the methodological approaches commonly used in studying FDI determinants in general.

Another interesting conclusion is political instability which is feared for its capability to interrupt the continuity of economic policies and political stability, which impinges adversely on business profitability. Actually, political instability renders investment returns or economic value uncertain. This finding supports several claims in literature. For instance, in 2004, Onyeiwu and Shrestha (2004) wrote that macroeconomic policy consistency and government stability are key factors influencing inward FDI in Africa. This was echoed by Ahlquist (2006) who also insist that FDI is sensitive to political instability and undemocratic governments. In essence, political instability comes pregnant with problems that render investment returns or economic value uncertain, hence investors worry.

Furthermore, the study provides respondents' views to assert that the unpredictability of the political investment climate or political future is retarding business growth/development and is most likely to stop potential investors from choosing South Africa as an investment location. Most worrisome are policy shifts and the long standing disagreements over private property rights in the face of inequality.

On the relationship between socio-economic challenges and political instability, it is clear that current investors fear that people may rebel against the government in the wake of their unchanging social and economic statuses. Already, there are many activities heightening participants concerns. For example, daily strikes and demonstrations typify the country, which participants said are destructive and disruptive. At the time of this report, social and economic problems already appear to support the sprouting of opposing political and economic visions and objectives, which are challenging ANC's socio-economic objectives and approaches. Interestingly, most, if not all of these opposition parties denounce ANC for failure to deliver the black majority from apartheid-induced social and economic struggles, and it appears many people are fascinated. Worse still, investors feel that all the parties are advocating the social and economic uplifting of black South Africans through economic policies that they think are hostile to their investment interests.

Clearly, the current findings demonstrate that both local and foreign investors are fearful of the socio-economic situation, specifically poverty and income inequality in terms of: (1) their scope of operation/profitability and the most desired factor, economic growth (2) stability of the economic reforms/investment policies and (3) economic and political stability of the investment climate.

8.2.3 Significance of the theme in the light of the research questions

The study aimed to establish factors of the political investment climate responsible for impinging on investors, through analysing the opinions of the current investors, the government officials and the intermediaries.

Unlike prior studies, the theme is important to knowledge as it demonstrates that socio-economic challenges are a significant non-economic investment determinant. Prior studies have often noted the presence of socio-economic challenges in South Africa but not through the investors' eyes and certainly not from the FDI perception. The present findings go further to shed light on the hidden cost of the socio-economic challenges to South Africa's FDI attractiveness in a number of ways. Firstly, evidence from this theme suggests that socio-economic factors, namely poverty and unemployment are a practical and theoretical challenge with potential detrimental impact on investors, hence the fear and anxiety that investors expressed with regards to the future of economic policy, government continuity and political stability. The current social unrest seen through high levels of strikes, violent crime, mass street demonstrations, and corruption are likely to present to the foreign investors, an ugly picture of the investment climate, and perhaps explains South Africa's nature and trends of FDI inflows. Policy uncertainty seems to hinder investment progress and growth. The current foreign investors explained how they fear political factors such as changes in government policy on foreign investments, which discourages them from expanding their investments.

Secondly, as evidenced in the South African literature, the socio-economic phenomenon is well recognised, but it has not been associated with FDIs as has been demonstrated in regions such as Middle East and North Africa (MENA) regions where researchers have concluded that the socio-economic challenges which triggered political instabilities, are associated with the reduction of market size, are limiting the human capital development and diminish chances of a country's FDI absorptive capacity. This study, besides substantiating a small but growing body of literature positing that socio-economic challenges trigger a variety of political factors and challenges to FDI, it informs the nature of political challenges and risks associated with the South African socio-economic environment.

The insights from the study, with regards to the knowledge on the impact the socio-economic challenges are exerting on FDIs are vital to policy making. For instance, the understanding that socio-economic challenges are, to a greater extent, affecting the attractiveness of South Africa, is helpful in comprehending why, perhaps, the country is not able to attract investors despite the macro and microeconomic attractiveness of the country.

8.2.4 Summary on the socio-economic environment theme

Discussing findings in the light of the research questions that had sought the bigger picture about the political challenges facing businesses in the banking sector, whilst linking the new insights to the existing knowledge, provides a solid ground from which to make the following preliminary conclusions, here summarised in a tabular format representative of the analytical framework for data: (The far right column highlights the suggestions on preliminary conclusions and will be imported and explained further in Chapter 9)

Table 7: Summary of the observations on the socio-economic challenges

flow of political challenges and risks forces	Source of political challenges and risks	Groups generating the political challenges and risks	Events and indicators of political challenges and risk	Effects on businesses (Direct or indirect)	Extrapolated Political challenges and risk category
Both Government and National environments	Socio-economic environment and the prevailing situations - poverty - unemployment - social and economic inequality	Government and ordinary citizens	national frustration as a propensity for rise in - strikes - demonstrations - riots - Violent crime - corruption -negative attitude -rise of opposite political parties	-changes in policy and regulations -changes in government economic objectives	-Systemic political risk -has been known to deteriorate to Catastrophic political risk -Distributive political risk

Source: Own research.

As we already established, political challenges and risks are driven by two forces, namely: government forces and national forces, and that the impact of political challenges and risks can be direct or indirect (Simon, 1984) which, summarily, is depicted by the framework to summarise findings under the socio-economic environment. Main issues emerging appear to be emanating from national interest and national frustration, which could result in political instabilities that in turn, could have direct or indirect impact on foreign investors either through policy and regulatory changes as the government faces pressure from citizen or opposition political parties to alleviate socio-economic problems, or citizens directly causing destruction or distraction to investors.

Summarily, as the table demonstrates, the forces behind the political challenges and risks discussed under this theme are both the government and the national environment, which happened to be the socio-economic environment. The major source of the political challenges and risks associated with the socio-economic environment emerged as poverty and unemployment, which together with economic and social inequalities compels the government to enforce unfriendly regulations in a bid to alleviate the socio-economic challenges, and members of the public to vent their dissatisfaction through strikes and other destructive activities, which again, are likely to force government to change policy frameworks. The situation is therefore stimulating anxiety over 1) the direction of policy and regulations, and government continuity and 2) the country's ineptitude in dealing with economic and social challenges, which is put under a spotlight due to lack of development or improvement in the socio-economic spheres. In literature, such precarious events have been associated with both systemic and distributive political risks (Daniels et al., 2015); thus, for example, possible changes to the policy/regulatory frameworks, which is likely to occur when a current government is forced by civil actions to alleviate socio-economic challenges, introduces radical economic policies for redistribution programmes such as nationalisation or indigenisation, expropriation of foreign assets, or companies lose economic freedom in as far as profitable operations because of restrictive policies.

8.3 Theme 2: Government and institutional challenges

Administrative or government institutions, as referred to in this study, refer to departments and offices of the government that are involved in designing, formulating, implementing, evaluating laws and regulations. Their functions include registrations and other operational processes such as monitoring and supervising the activities of the industry (North, 1993). The respondents reported obstacles they encounter in administrative institutions, which are discussed below under this sub-category.

As fully illustrated on the storyboard presented at the beginning of this chapter, this second of the four main themes came into being after considering from data, the aspects that constitute the source of political challenges and risks, in this case the Government institutions. Thus, the exposure of the government groups or situations through which political challenges and risks are generated, and entails how the government controls or influences its agencies that are linked to investors, which participants perceive as political challenges and risks event with detrimental effects on their investments. These aspects are seen through:

- The relationship between government and businesses
- The role being played by government institutions
- The political influence on the quality of institutions
- The efficiency and effectiveness of the government institutions

The perceived political challenges and risks effect with detrimental consequences on investors and FDI such as delays in business transactions, demand for bribes which results in additional cost of doing business, negative socio-economic environment with reverse impact on business, and finally, the perceived risk types to businesses, which are the systemic, procedural and to some extent, catastrophic political risks.

8.3.1 Findings and Discussions

During interviews, many of the foreign investors were of the opinion that although the government has favourable policies on FDI, the attitude they see on the ground is discouraging and intimidating. Key insights to emerge from the data analysis were mainly indicative of behaviours and events leading to *"appalling quality of services"* in government institutions and "*corruption*", which seemingly are the source of the political investment challenge facing investors.

A number of indicators in the light of the relationship between the government and businesses, the role of the government institutions in the business environment, the political influence on the quality of institutions in terms of efficiency, effectiveness, and transparency for example, were brought to light.

To begin with, besides the need to dig deeply into the policy faculties, political economy is best understood and explained by getting insights into what other stakeholders think about the supporting infrastructures, which happens to the government institutions. So an investigative question seeking descriptions, opinions and views on government institutions was necessary. Participants were asked to describe the role of government in their operations, probing whether there are any expectations or challenges in terms of its effectiveness and efficiency. A large proportion of both foreign and domestic investors told a story of the obstacles they encounter in administrative institutions, which are captured under this sub-category below:

8.3.1.1 Poor quality service to the business community

Most respondents, bankers and intermediaries mostly, seemed to be angered by the quality of service in government institutions, which they see as a challenge in their day to day operations. A variety of perspectives were expressed, particularly citing the loss of information whilst documents are in the custody of government officials, delays and red-tape, which some referred to as "unnecessary", or no service at all, which they encounter when dealing with or seeking the services of government institutions. According to most foreign investors interviewed, this sort of challenge is one of the most detrimental obstacles, particularly the fact that institutions fail or neglect to provide even the "very" basic services the offices are meant to provide. For example, some participants said:

"the one-stop investment shop idea of the Department of Trade and Investment (DTI) is brilliant, but the idea is not working well because there are unnecessary detours causing unnecessary delays when transacting with the government" [Investment Advisor, intermediary].

In the view of bankers, for instance, the level of service offered should be quick and efficient, given that all the supporting infrastructures are under one roof, but as one of them pointed out, this does not seem like what they are experiencing. The following statement uttered by one of the foreign bankers aptly summarises the perceptions held by many respondents:

"Dealing with any government department is frustrating. The attitude is bad, and service delivery is appalling. It's like they are born of one mother those people. If you ask me, what makes everyone like that; I will tell you that it is this attitude called... What's in it for me? Everyone wants to benefit from a client. So no service before or you get this I don't care attitude and ages before you can get what you want. But once you pay, even dry bones start moving" [Director of New Business Development, foreign bank 15].

This statement clearly accuses the government officials in government institutions of poor quality service delivery, and goes further to cite corruption as the root cause of the inefficiencies and ineffectiveness characterising government offices.

There was a sense of agreement across participants, including some of the government interviewees because, in agreement with the above statement, most of them expressed their discontent with service delivery, also citing the uncaring and cunning culture across government departments, which one of the local bankers said driven by the need to demand bribes;

"You can just tell by the lack of motivation in these so called government institutions, that they want something out of any service they provide. It's an absurd situation, where one time there is nothing that seems to be moving, the next minute, when of course you pay a kickback, all is in place" [Relations Officer, local bank 4]

One major theme recurred throughout the interviews in respect of this line of thought. The analysis shows that the culture of bribing is seen as the major problem paralysing service delivery in South Africa's public offices.

This is because when the respondents were asked if the delays in service delivery were caused by anything else other than the behaviour of civil servants like they were alleging, a statement consistent with the general feelings expressed by other bankers came from one of the foreign bank directors, who also echoed similar sentiments as one of them said,

"I am certain that the inefficiencies in government offices have nothing to do with staff competencies or office automation but are resulting from deliberate delaying tactics by the officials in order to instigate payment of bribes from desperate clients" [Managing Director, foreign bank 9].

When the government participants were asked the same question, it was quite surprising that most of the government officials admitted and even reported that delays and poor service delivery were common and often deliberate in order to bring about informal incentives to civil servants. For example, a director in the government policy monitoring department said;

"I can't deny that the bribe norm is present in government offices. But I can't also, point a finger which one and whether it can be stopped. We have measured to stop the behaviour here, but it seems the clients themselves thwarts the government efforts as I believe they also play to it too" [Policy Analyst in the Policy Surveillance department, government official]

Upon further probes into the problem of bribing, particularly questioning why it happens and who plays what part, most of the responses provided explanations as to what is really involved in corruption induced inefficiencies. For instance, processing time is prolonged so that clients lose patience and then pay the officials to get served or to get in front of the queues. This behaviour was said to be very common in all government offices (some departments were named in the process).

"There is nowhere you can go for anything and you don't end up forking-out money so that you get served quickly, it is the way of navigating around in these offices" [Public Relations Officer, local bank 1].

From this statement, it can be concluded that the government offices are associated with delaying tactics played in order that service users pay to get what they want. It seems the service users play along, even though they expressed concerned over the practices, because failure to comply with the demands, will impact even more negatively, on their day to day investors.

Having identified the problem, the next question posed was in respect of the depth and breadth of the problem, and the impact it has on investors?

Following this question, both foreign and local bankers expressed feelings of worry, especially because they seem not to see any end to their pain when it comes to dealing with corrupt officials, for instance. Some even described the situation as "hopeless" because, according to one Director in a local bank (5), *"I do not see anyone in authority questioning the malpractices".*

Others doubt if service delivery can change for the better because they do not see any system in place to monitor or evaluate performances in government departments as one interviewee put it;

"I believe if the government was effectively monitoring and evaluating performance, we wouldn't be talking of poor service delivery today. Unfortunately there is no, or if it is there, it is not an effective system because nothing changes" [Compliance Manager, foreign bank 2].

In addition, some foreign investors stated that they are aware of the stipulated processing times in investment documents, but they believe they are just theoretical aspirations and that no one cares to see if they are being followed or maintained. Whilst talking about this issue, it can be reasoned that some respondents' awareness of the government policy and how it is not supported on the ground, draws attention to the mismatch between theory and practice. For instance, the government seems to be talking about attracting investors in its policies and publicity websites (Department of Trade and Investment South Africa, 2014) but practically its civil servants are not pulling towards that goal. In FDI attraction literature, government effectiveness, is one of the fundamental aspects at the centre of quality service delivery is paramount in FDI location decision, according to the OLI paradigm (Dunning, 1993).

Having noted most of the negative perceptions regarding delivery of service to the business community, what appears most worrisome, according to some, is the fact that the government seems to turn a blind eye, leaving businesses and the public to be exploited by its predatory officials as suggestive of this statement by one of the political analysts;

"Civil servants are politically powerful, everyone including business persons has to oblige with what they say, and otherwise, you risk being labelled as counter-revolutionary. They have this political ego, it is common to hear government official swearing politics even where it is not necessary. It's like, I am doing you a favour so you will have to beg me or else I will not do it for you. A customer is not a king here. They know (the government) that this is happening, no one cares... they are all in it" [Independent Senior Political Analyst].

The kind of allegation made by this political analyst seems to have a true basis because, as mentioned earlier, some of the government officials acknowledged that they are aware of the corrupt practices but did not seem to know what the government is doing to curb the problems.

In the light of literature, although the question of quality in the government institutions is not new in literature, it was difficult to find literature that talk explicitly about the problem and causes of poor service delivery from the perspective of investors in South Africa. The few that the researcher came across by Pillay (2004) who found out that inefficiency in service delivery is due to shortages in human resources and poor management of financial resources. However, the finding of the current study does not corroborate Pillay's finding highlighted above, but is consistent with his findings that the system lacks effective and efficient ways of monitoring and evaluating performances in government departments, which he says erodes any chances of improving service delivery. The other one, Fedderke and Romm's (2006) findings are consistent with Pillay's, but do not clarify the manner in which the quality of institutions affects FDI inflows.

In related contexts, the importance of quality of institutions is widely recognised: In research works focusing on Africa at large, Asiedu (2002) and Dupasquier and Osakwe (2006) wrote that the quality of government institutions is a major determinant of FDI, particularly to investors targeting developing or less developed economies.

Findings in this study relate more to the issue of corruption and how it jeopardises the quality of service in government institutions, particularly when many openly voice that civil servants demand or solicit for bribes from them by directly or indirectly asking or acting in a way that shows they want bribes. On the issue of corruption and its links to the quality of institutions, this study supports findings by Wei (2000). In essence, Wei (2000) is one of the few research papers that relate corruption to FDI inflows and concluding that corruption deters inward investments. Others include Te Velde (2002), Jacques and Olivier (2002) and Morisset and Neso (2002) who echoed Wei, emphasising that corruption is the challenge that makes administrative processes a nightmare in government institutions thereby frustrating to investors. Some researchers like Moody and Wheeler (1992) cited in Blonigen (2005) after finding no positive relation between corruption and FDI inflows, argue that corruption in government institutions has no impact on FDI inflows.

Finding out about corruption in the context of South Africa was not surprising, particularly when the country is ranked 69th on a scale of 176 countries according to the Corruption Perception Index report of 2013, a rank regarded high corruption levels (World Bank, 2013). It was however surprising that investors within South Africa, are finding it difficult to operate, to the extent of fearing that they are failing to achieve their investment goals because of the problem.

In as far as differences in findings and why the problem has never been associated with FDIs in South Africa are concerned, a possible reason amongst many, could be methodological. From the review of literature, it was observed that findings per study are determined by what variables the researcher included in their survey. For instance, when Fedderke and Romm (2006) investigated the factors of FDI in South Africa, their empirical methodology did not include the corruption variable. The same can be said about many other studies that have employed econometric methodologies in trying to establish FDI limitations, whether in the context of South Africa or elsewhere (see Chapter 4).

Going back to the research context to establish meanings from the findings so far, a closer look at the feelings expressed here, signals that institutional corruption and governance issues are at the centre of government's shortcomings in its institutions. On that basis, it is fair to suggest that the finding on institutional quality is positively linked to corruption and bad governance as the common accomplices in driving and undermining good and quality service delivery in South Africa.

8.3.1.2 The impact of corruption and poor service delivery

The findings delineated above lend a good base to argue that corruption tendencies and bad governance practices are inhibiting government departments from delivering the quality and timely service businesses expect from the government.

The current results linking poor service delivery to factors of bad governance as a consequence of or as the drivers of corruption, confirms the findings from a number of previous studies. Drabek and Payne (2002) found that lack of transparency in government institutions erodes good governance and engenders for corruption. In concurrence, Saladin (1999) also draws our attention to the role of transparency and good governance in the sound functioning of government institutions. Weiss (2000) identifies inefficiency and ineffectiveness as characteristics that have negative impacts on good governance in government institutions. In fact, quite a number of other previous studies such as the ones by Weiss (2000, p795-814); Fawzy (2012) and international organisations, who advocate good governance, (IMF and World Bank) also ascribe poor governance to corruption. The IMF and the World Bank in particular, conducted a research that provides governments with insights on the importance of implementing an all-round good governance framework throughout government institutions, to ensure good service delivery for example.

Since this study is implying that poor service delivery is a consequence of bad governance and corruption, how does this relate to investors and FDI environment? Firstly, the deliberate delays in registering or providing operating licences, for example, could waste investors' operating time. Secondly, since delays are said to be corruption induced, there are financial connotations that come with that, for example it increases the cost of transacting businesses. Thus, although current investors in this research state that the monies involved are usually small amounts of money at a time, the monies accumulate because of pervasive corruption in different institutions. This puts a financial strain and reduces the economic value of their operations.

A possible explanation for investors' worry about corruption can be drawn from Wei (2000) whose report highlights the disadvantages of bribing to investors. Wei (2000) cited additional costs of doing business as a result of a progressive form of tax, meaning corruption. He also provides an explicit explanation to this finding when he notes that unlike a formal tax that can be budgeted for, corruption is a tax that is inherently secretive and progressive. Investors cannot contest it in court or dispute it either. The recipient of the bribe can keep demanding bribes and this can retard investment earnings from growing.

More wide ranging hypotheses are available too. For example, Kaufmann and Wei (1999; 2002); Habib and Zurawick (2002) cited in Zhou (2007) also related corruption to a form of a recurrent tax on businesses, capable of discouraging potential investors from coming to invest in a corruption infested country. Mauro (1996) and Kaufmann (1997) observe that foreign investors prefer countries where there is less corruption, although admittedly, it is difficult to rule out its presence.

With regards to the link between governance and government effectiveness in delivering essential services in the FDI environment, a number of earlier studies have provided answers to the question: how does bad governance impede FDI? Alam et. al., (2006) found that bad governance is a major hindrance to Bangladesh's FDI inflows and identified lack of infrastructural support, unnecessary red-tape and inefficiencies in FDI processes. Globerman and Shapiro (2002) and Busse and Hefeker (2007) also confirm a positive relationship between good governance and FDI.

In sum, the absence of good governance practices provides a rich field for corruption to thrive because, as highlighted in the case of South Africa, corrupt officials deliberately retard good service delivery for their benefit. Thus, thriving corruption challenges the easiness and costs of doing business.

8.3.2 Key observations related to the government and institutional challenges

The analysis of data under the government institutions theme has illustrated that government institutions are perceived as a stumbling block in the current investors' business processes and channels and are therefore likely to be a significant determinant of FDI. The key indicators of the quality of institutions noted by the majority of participants are inefficiency, ineffectiveness and lack of transparency, which were deliberated under the sub-theme: poor quality service delivery. The driving force for poor service has been identified as corruption by the government officials, driven again, by what was described as "greedy" throughout the analysis.

The evidence presented seems enough to suggest that bad governance and corruption are at the centre of the poor service delivery in government departments. Thus in general terms, the impact of poor service and corruption, which itself is facilitated by bad governance, are causing unnecessary increases in costs of doing business, for instance, costs that comes with corruption such as the lost time in investment value, and declining investor confidence due to the increasing complexities of dealing with the government. In brief, the current study supports the premise that FDI goes to countries with strong governance foundations and those that are free from corruption.

8.3.3 Significance of the theme to the research questions

Most essentially, the study pulls the lid off some of the challenges that have eluded previous research focusing on the challenges to inward FDI in South Africa, making significant contributions to the current literature. The reason for this is: literature on the determinants of FDI into South Africa is very limited and the methodological approaches favoured by those who have investigated the phenomenon in the country did not allow elicit of explicit views from the participants. Worst still, those that talk about poor service, poor governance and corruption for example, do not talk from the FDIs view point. As a result, the existing theoretical frameworks are not sufficiently informing the policy making instruments, rendering the relevance of this qualitative study, as clearly supported by the empirical factors in data. An implication of this is the possibility that the policy makers will focus on the issues that are not major factors of FDIs in the context of South Africa, resulting in the mismatch between theory and practice. This could provide possible explanation why the country is not attracting as many FDIs as anticipated (Wocke and Sing, 2013).

8.3.4 Summary of findings on the government institutions theme

The problem of institutions has constituted as political challenge and risk factor because of the nature of the components which the theme entails, as summed up using the lens of the data analytical framework below. Similarly, the far right column highlights the suggestions on preliminary conclusions and will be imported and explained further in Chapter 9.

Table 8: Summary of the observations on the government institutions theme

flow of political challenges and risks forces	Source of political challenges risks	Groups generating the political challenges and risks	Events and indicators of political challenges and risks	Effects on businesses (Direct or indirect)	Extrapolated political challenge or risk category
Government	Institutional environment	Government official and civil servants	demands for bribes -inefficiency and poor service delivery -ineffective policies	-cost to business -vulnerable to abuse -unchanging or deteriorating socio-economic environment	systemic and procedural

Source: Own research.

So far the chapter has discussed two of the major challenges, namely; (1) The socio-economic challenges and (2) Government institution challenges. The coming section discusses the findings captured under the theme political corruption. The political corruption theme relates strongly with the government institutions theme above, however, there is one fundamental reason why there was a need to distinguish the two, as demonstrated next.

8.4 Theme 3: Political corruption

A thorough deliberation and description of political corruption is outside the scope of this study, however, it is necessary to give an overview of the term in order that the findings can be placed well into the perspective of FDI political factors and challenges under investigation, and to explain the significance of this overarching theme, despite its mention in the previous theme.

Myint (2000, p33-58) provides a range of definitions and descriptions of corruption in different contexts. In general terms, Myint said that corruption is known from two major dimensions, each with a variety of definitions suggested by various observers. He wrote that one dimension is known as petty corruption, which is referred to as administrative corruption, involving bureaucratic servants demanding bribes to get work done (Myint, 2000) hence the findings that specifically demonstrated this kind of corruption were outlined in Theme 2 above. The other dimension is grand corruption, which Myint (2000) describes as political corruption involving top government officials. In accordance with these dimension and as data suggests, it is necessary to now cast a beam of light on findings that relates to grand corruption dimension, as the impact of its factors appear to be significantly different from those of petty corruption deliberated on earlier. This is because, as researchers such as Gray and Kaufmann's (1998) definition suggests, political corruption involves the use of political power to obstruct justice and interfere in the duties of agencies tasked with detecting, investigating, and prosecuting illicit behaviour, sentiments of which emerged severally in data.

The theme emerged after considering from data, the aspects that constitutes as the source of potential political factors, identified as political corruption. The theme exposes the groups or situations through which political corruption is generated, which are the aspects identified in the participants feedback, and entails how the actions and behaviours of the senior government officials influences and shapes the political and economic investment climate and picture it paints in the eyes of the current businesses operations and FDI attractions. Thus the perceived political factors and events with detrimental effects on investors and FDI seen through:

- The conduct and attitude of government towards corruption
- The prevailing socio-economic situation in terms of corruption
- The influence of political hands on legal and regulatory frameworks

8.4.1 Findings and discussions

As with the aim of the study, the researcher wanted to find out the actual politically related actions that are discouraging current investors in order to then decipher the political aspects that may be hindering FDI operations and attractions in South Africa. The researcher posed an investigative question on the personal and company perceptions about doing business in South Africa. For instance, participants were asked to talk freely about their experience doing business in a new South Africa, especially from 1994 onwards. The rationale for asking this question was to gain general insights into the overall investment climate before probing on about the political investment climate. What came from the investors group of participants were emotionally loaded statements. Here is an example of a statement from a managing director of a foreign bank;

"The government is everywhere in everything. They use political controls to instil fear so that they can intervene in investors. Business should be business and politics should be politics" [Managing Director, foreign bank 5].

The point that most of the investors were putting across was the intervention of government into the operations of the business, which some blame for causing the misconduct of both the government and the businesses. The feeling of the investors were echoed by some of the intermediaries, who also think the government knows there are so many operational problems investors face but those in authority choose to turn a blind eye because they benefit from the intervention system. Inappropriate behaviour in particular, was blamed for some of the bad experiences operating in South Africa as demonstrated in the another excerpt below, which also sums up the feelings held by most participants, again with regards to government officials' conduct;

"The government is corrupt, I mean the government system is corrupt and the leadership is corrupt too. It is only through a corrupt eye that a government sees nothing wrong in this country. A lot of things are going wrong and we all know that, but many in this government are very selfish, as long as it is well with their soul. No purpose for nation-hood, it's every man for himself and God for us all" [Senior Political Analyst, intermediary]

This analyst's observation was also noted and highlighted in the previous sections, in which some inappropriate practices perpetrated by senior government officials came to light, specifically where participants repeatedly mentioned the possibilities that many operators evade the regulations by bribing monitors so that they pass the regulatory compliancy tests.

One discrete reason for condemning the senior government officials emerged from the analysis. Investors expressed some negative perceptions over the legal system due to government officials' behaviour, with the majority of the participants alleging that the permeation of politics and political influence is weakening the legal system. For example, most respondents in this group showed dissatisfaction over how the legal and judicial officials deal with incidents of dishonesty, particularly those involving politicians. They openly demonstrated frustration, particularly when the legal authorities turn a blind eye to acts of grand corruption perpetrated by high-profile politicians and senior government officials or the court outcomes do not reflect the level of crimes committed.

When asked how the legal system is being influenced? Most of the local and foreign investors alleged that; *"besides the political permeation and bullying that politicians use to coerce people into complying with their instructions or desires, there is also an untamed culture of bribing and accepting of bribes"* said one of the Political Analysts interviewed.

This, most believe, are the ones eroding the integrity and impartiality in the legal structures.

Apparently, because of the growth of the bribing culture and the desire to acquire economic benefits from the system, some of the respondents are convinced that, according to one director in a local bank (4);

"The law enforcers and the court system choose to sweep matters of corruption under carpets and letting politicians walk away scot free because they get something out of it"

The following statement uttered by one of the foreign bank directors echoes the same perception, accusing the politicians, the rich and the politically connected people of pay bribes to influence the direction and outcomes of the law in courts;

"It is the bribing culture; bribes are being used to buy anything in this country. People can even buy life or lose life in this country. Laws don't protect anyone now, it is your money that protects you, and that the legal system for you now. The thing is, if senior government officials walk away scot free when everyone knows what has happened, how many other cases are happening and no one will ever know. How can anybody rely with such a corruptible system?" [Managing Director, foreign bank 13].

Still in the same line of viewpoint and with regards to bribing the legal system officials, respondents cited several cases of grand corruption and naming perpetrators which they allege led to grand misuse of public funds, but to their amazement, the perpetrators evade the legal system. Some are said never to have been prosecuted and worse still, continue to hold public office positions. Some of the respondents believe that phony trials are staged in order to blind the public, then after some time, cases die and get buried secretly. Here is what one managing director of a local bank also told;

"We have serious cases of corruption which every Jack and Jill knows about. But you will see that they are dropped out of the courts just like that. There is a case of ...(name mentioned) who has committed serious crimes, threats and massive corruption in this country. Nothing whatsoever was done to litigate such behaviour. The next we know, he is heading a government (department named). "If prosecutors can simply drop off criminal or misconduct cases just like that, what guarantee do we have that the legal system will treat legal matters equitably" [Regional Director, local bank 1].

Key themes recurring from the above insights are; government misconduct, to which some participants attached the word corruption, government inappropriate interventions, and abuse of political power by the politicians, which is thought to be crippling business activities and perhaps the growth of investments and the attraction of FDI. The above findings suggest that intermediaries and both groups of investors are concerned about the growth of corruption and the impact it likely to have on their operations and to the business environment, particularly so, as it hinders the integrity of the legal system which in actual fact, is the backbone that supports investors. As has been highlighted in the regulatory theme above, the shade of doubt over the legal system's integrity and impartiality appears to heighten also, foreign investors' fear for the security of their investments given the recent policy shift and cancellations of major trade and investment agreements.

The issue of corruption has recurred throughout the data and the themes discussed earlier. This theme has further explored the alleged inappropriate practices, this time casting a beam of light on the misconducts perpetrated by high-profile government officials and the impact of such behaviour on the current investors and the investment climate of FDI.

8.4.1.1 Weak legal and judicial system

Current data seems to insinuate that political corruption is eroding the quality and credibility of the nation's legal system by gagging and weakening the legal body through corruption and inappropriate influence. It was interesting to find out that most participants, including some of the government officials, condemn the legal system, citing that it is weakening and is increasingly susceptible to corruption because of failure to curb political corruption.

The negative perceptions over the legal system are allegedly caused, to a large extent, by the permeation of politics and political influence, which most respondents alleges manifest in how the legal and judicial officials deal with incidents of dishonesty involving politicians. There were some signs of disappointment with respondents openly showing their frustration, particularly when the legal authorities turn a blind eye to acts of grand corruption perpetrated by high-profile politicians and senior government official or the court outcomes do not correspond with the level of crimes committed.

When asked how the legal system is being influenced, most of the local and foreign investors alleged that besides the political permeation and bullying that politicians use to coerce people into complying with their instructions and desires, there is also an untamed culture of bribing and accepting of bribes. In fact, these two are believed to be the factors eroding the integrity and impartiality in the legal structures.

Apparently therefore, because of the growth of the bribing culture and the desire to acquire economic benefits from the system, some of the respondents are convinced that the law enforcers and the court system choose to sweep matters of corruption under the carpet and let politicians walk away scot free. One of the intermediaries had this to say;

"You can never trust anyone in a country where money rules. Money is power, and it rules over anything. People in government are the worst culprits, and if they are leading the way, everybody else follows suit", he laughed [Political analyst and public Speaker, intermediary]

This statement provides a possible explanation for a better understanding of the depth of the corruption phenomenon. Clearly, some politicians are oriented towards self-gain and therefore care less about the picture their actions are painting about the legal system.

The finding that the integrity and impartiality within the legal system is threatened by the bribing culture is difficult to understand or relate to in terms of existing literature. This is because academicians are currently silent and seem uninterested in debating how the political corruption phenomenon is contributing to the lack of integrity within South Africa's legal system.

Looking into the FDI challenges theoretical frameworks in South Africa, not much literature talks about how corruption impacts on the investors or its association with the political economy. Thus, although a widely discussed subject, no specific study, hitherto this study has focused on political corruption through from investors' viewpoint. Many focus on the impact of corruption to economic growth (Mo, 2001; Mauro, 1995; Abed and Gupta, 2002) some gathered opinions of the general public (Lodge, 1998; Minnaar, 1999; Camerer, 2011) and a few looked at the causes (Tanzi, 1998; Treisman, 2000).

This study brings out corruption in a different way and shows that it is impacting on stakeholders in South Africa in a different way too. This study shows, once again the gap in knowledge, to which it contributes significantly, in terms of new knowledge into the body of FDI determinants literature, and in terms of informing the government, the threats to FDI attractions corruption is exerting.

Although debates that share the same theme with the current phenomenon are limited, literature and official publications provide some solid basis from which to anchor the current discussion. To start with, the allegations regarding the weakening of the legal system made in the current study are not new, and they corroborate those on some official websites such as the Public Service Commission South Africa, the Independent Police Investigative Directorate and the Institute of Democracy in South Africa (IDASA), which also publishes concerns about the conduct of the law enforcers and the judiciary system. IDASA, for example, cites the slow pace in corruption investigations, the disappearances of cases from the public eyes, inconsistencies and variations in court outcomes, for example.

In as far as political corruption is concerned; the study identified perceptions that agree with the findings of a study conducted by Camerer (2011). Camerer's study, an expert panel survey done in South Africa, exposed the corruptibility of not only the legal system, but also all the government departments. Empirical results from this study show that 40% of the sampled subjects know about the corruptibility of the legal system and has actually paid bribes to government officials or legal officials for various reasons.

Still in line with both the political corruption and how it goes on to weaken the legal system, current finding provide substantial support to various previous surveys pursuing similar phenomenon but from different perspectives. One good example is a survey conducted by the South African Afro Democracy Barometer (2012), which established that 50% of the respondents of its survey on public opinion on corruption believe that most or all government officials, particularly politicians and parliamentarians are corrupt. A similar percentage (45%) also observed the same as published in a survey conducted by the Institute of Democracy in South Africa (IDASA). Respondents of the IDASA reported the rampant corruption in the ANC government but excluded Nelson Mandela from the allegations.

The results of the IDASA survey are quite alarming because public opinion on political corruption is on the rise. For instance, the report shows a rise from no concerns in 1994 to 2% in 1995, then a sharp increase each year to 29% in 2011. Clearly, the escalation of concerns each year is an indication that the public's confidence in the government system is dwindling.

In the graph below are findings from the IDASA Afro Barometer illustrating the rising concerns over political corruption.

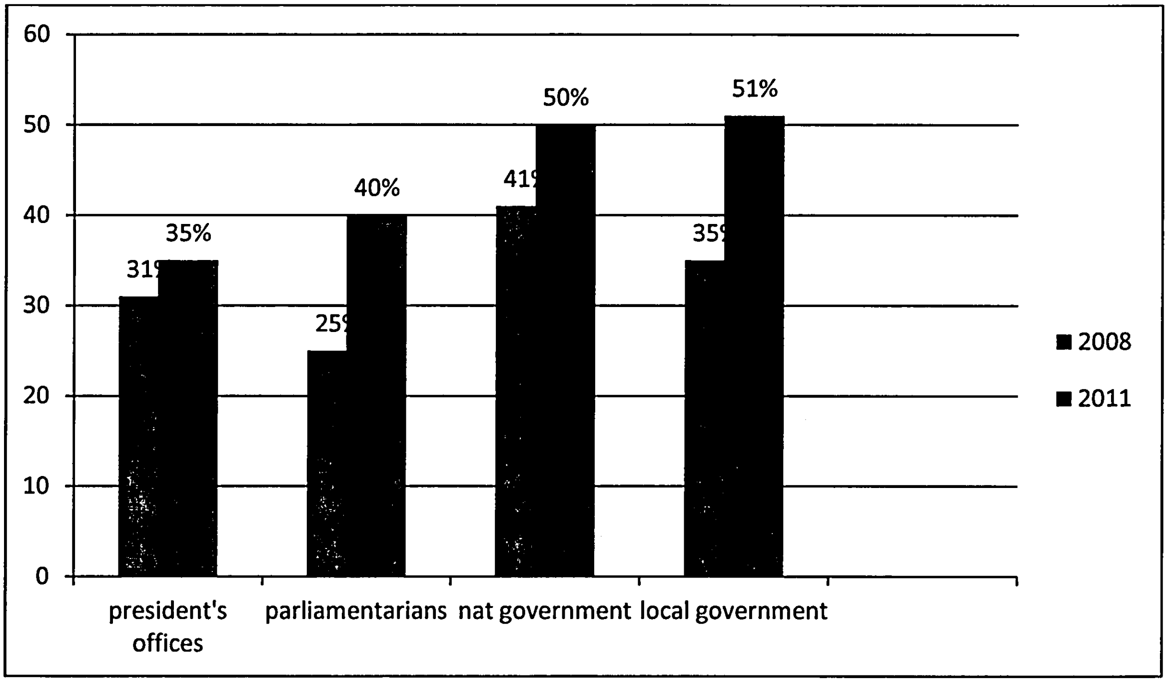

Figure 14: Graph of the Afro Barometer (2012) on the Perceptions of Corruption in South Africa
Source: Data used to construct this graph is borrowed from IDASA Afro Barometer (2012)

The same report has also shown that businesses' and public's trust in the police is dwindling, where those doubting the integrity of law enforcers increased from 46% in 2008 to 51% in 2011. Some of them (31%) also raised questions over the integrity and impartiality of the court system. Conversely, cognate studies do not precisely focus on the impact of political corruption on investors. This study, which explores investment challenges through investors' eyes, will discuss the costs of a corruptible legal system to businesses in the next section.

8.4.1.2 Impact of corruption on investments

In highlighting the consequences of political corruption on investment climate that the analysis unveiled, the study makes reference to literature on corruption in general, because research on 'political corruption' in relation to FDI is scant. This is still so, despite the fact that corruption has been, for some time, identified as a locational determinant of FDI inflows (Wei, 2000). Generally, in the International Business and the Economics and Public Policy fields, corruption is studied from a broad perspective rather than from a narrow and specific perspective. In international business, writers investigating the determinants of FDI agree that any climate for investments is determined by the interplay of numerous factors, and government corruption is one such determinant of a country's FDI inflows (Wei, 2000). Concurring with this view, Ajie and Wokekoro (2012) hypothesised how government corruption weakens the legal system and how that can tarnish a country's image in the eyes of both domestic investors and FDI inflows.

In respect of the present study, concerns that the legal system is not robust enough to curb political corruption seem to be major, particularly given the permeation of politics in economic activities. The activities and actions of politicians, especially with how the business environment is regulated and its unpredictability as highlighted earlier, makes foreign investors worry about their treatment and security on investment in general.

Additionally, the present analysis spells out that political corruption is increasing the investment risk to both local and foreign investors, and the levels of investment uncertainty to both players is increasingly worrisome. Apparently, the risk and uncertainty is stemming from the proliferation of bribery and bullying which, seemingly, is being planted and irrigated by top government persons. Because in most of the mentioned cases, perpetrators are not openly punished, the respondents doubt the fairness and consistency in the enforcement of rules and regulations, including those governing the investment climate.

One of the most significant, as well as intimidating challenges to emerge is the security and protection of investors' property, investment security and property rights, given the tale of political influence told in this study, whereby judges, police authorities, lawyers and prosecutors are said to accept bribes to decide fates on legal disputes, which heightens the fear of foreign investors, particularly after the recent shift from the international trade agreements by the government. This makes most current investors anxious about the future of their businesses, mainly because of the unpredictability of the courses and direction of laws at any given time. Commenting on the erosion of investor confidence in a political corruption loaded environment, Judge, Douglas and Kutan (2008) stated that since the games of the rules can be panel beaten to the convenience of the highest briber, investment security and protection is highly unpredictable and always at stake.

As highlighted in theme three, anxiety about the current regulatory environment is also exacerbating the investors worry, particularly those economic reforms (Black Economic Empowerment) demanding the incorporation of local but previously disadvantaged people in economic activities, which the analysis demonstrated that the participants worry about the proliferation of corruption in general, citing the possibility of the problem hindering effectiveness of regulations and the efficiency of government institutions. Corrupt politicians are therefore assumed to force foreign investors to partner corrupt politicians, influence the direction and course of policies, dictate practices that enables them to gain from the system, influence the legal system to decide commercial issues in their favour for example.

In the context of the current study, there are not many formal debates focusing on the risks to foreign owned properties due to shortcomings of the legal system. But speculative publications insist that the security of private property is already fragile because of the socio-economic problems that are still persisting two decades after the death of apartheid. As current participants revealed, foreign investors are said to be relying on the strength and robustness of the legal institutions for private and business security and protection (Fedderke and Simkins, 2012). The findings around political corruption in the context of FDI in South Africa corroborates Herzfeld and Weiss (2003) publications, who have also written that the corruptibility of the legal, law enforcement and judicial system raises concern over the certainty of private property protection, dispute settlement and investor protection for example. Despite that there may be some theoretical assurance on paper, endorsed under the South Africa's Bilateral Investment Treaties (BIT) agreements, the fact that the legal systems lack the crucial characteristics (integrity and impartiality), and that the government's perceptions on the investment agreement are changing, literally erodes investors' confidence.

Another major challenge that seems to be of concern to some participants is the unlevelled playing field in which the investors have to operate, in the presence of political corruption. Investors, particularly the smaller banks with one branch for example, complained about how it is becoming increasingly difficult to compete with bigger banks because, by using their strong corrupt muscle, they are able to manoeuvre around the precarious political investment climate, probably paying to influence policies or to avoid compliance with regulations. The consequences of such behaviours have been mentioned numerously as the impediments to the achievement of the economic and social goals, perhaps hence the unchanging inequality situation for example. On the matter of unlevelled playing field, literature discussing the impact of corruption to different sizes of investors is quite limited, but the few publications available concur that a corruptible legal system provides an unfair and inconsistent investment environment which poses financial challenges to smaller investors (Drabek and Payne, 2002). In a related argument, Habib and Zurawicki (2002, p292) reported that this form of corruption creates market distortions by affording other companies preferential treatment in everything, be it legal or economical, thereby enabling them to profit at the expense of others.

Findings have also indicated the risk of ever increasing transaction costs, similar to what Habib and Zurawicki (2002, p292) established, which are believed to arise from demands for bribery tax by authorities. This finding also concurs with those published by Wei (2000) for instance; whose empirical findings on a study to find out how taxing corruption is on international investors established that corruption increased the tax rate by 50% in Mexico. The cost of operation emanating from corruption of any form can also be cited in wasted productive time as postulated by Kaufmann and Wei (1999) who wrote that those who pay bribes can also waste a lot of time negotiating with bureaucrats, which in some cases, may be a bottomless pit.

Although some of the participants admit to be playing along with corruption, be it administrative corruption discussed in theme 2 or political corruption under the current theme, it was interesting to find out that the present findings, substantiate a small but growing body of literature, which clearly dismisses the viewpoint that corruption can be the oil that greases the wheels of business.

8.4.2 Key observations on the political corruption challenges

The phenomenon of corruption is very complicated and can be regarded as difficult to measure, particularly because most of the living knowledge on the phenomenon is based on perceptions, which are very subjective and therefore difficult to attest. For instance, from major surveys such as the Transparency international perception index and OECD, IMF and World Bank, to national level research and surveys such as one conducted by Afro Barometer, as well as most individual researches such as those by Mauro (1995; 1996); Wei (2000); Habib and Zurawicki (2002) findings are often opinion based.

In as far as the current study is concerned, it is difficult to measure political corruption in South Africa, not only because the problem cannot be related sufficiently in literature, but because of limited research on the subject in relation with FDI, the secretive nature of the problem in general, and principally the unwillingness of government participants to share their opinions regarding the topic. However, the individual perceptions gathered from investors and intermediaries are fairly dependable as they include those of the domestic investors, who in most cases echoed similar sentiments to the rest of the representatives of the foreign investors and intermediaries.

The opinions shared under the political corruption theme suggest the following elements and characteristics that constitute political corruption:

The government is the primary source of political corruption perpetuated by the politicians linked to the government. The actions, behaviours and activities of this group emerged responsible for the corruptibility of the legal and judicial system, the regulatory environment and the government institutions, which manifest in the ways in which these bodies deal with the misconducts involving senior government officials.

The key findings include the fact that political corruption is weakening the legal judicial system, and is also undermining the ability of the legal system to fight corruption and crime. Respondents appeared perturbed by the fact that, whilst the government willpower is fundamental to the fight against corruption, they feel it is the fuel behind it. In actual terms, most participants echoed the sentiments that it is the government that is leading by example, by inciting corruption in the major economic arteries, and providing a rich field for it to flourish.

The findings also shows that the society and businesses are acculturated to corruption as it appears to suggest that everyone believes corruption is just another way of earning a living. The incentives from corruption seem to be discouraging good practices, not only in the legal and judicial society, but in all other economic and social spheres too. In view of the behaviours and misconducts exposed in this study, it is clear that the most perturbing issue to FDI climate is the picture that the government seems to be painting about corruption, which according to the analysis, suggest that corrupt practices are condoned as long as one has political or economic (money) power. Analysis suggests that the influence of political corruption is evident in the inability of the legal system to exercise superior legal power in dealing with cases of political misconduct in particular. Thus, in the eyes of most of the foreign and domestic investors interviewed, the legal system is neither powerful nor independent. Analysis has demonstrated that most participants feel the legal system, together with the regulatory and institutions succumb to political pressures, thereby perceived as incapable of asserting legal power against legal matters investors are encountering, which automatically means that they cannot rely on it for protecting their investments.

Under these circumstances, corruption effectively becomes an unofficial layer of taxation, which increases the cost of doing business in South Africa as Wei (2000) proposed. Overall, these consequences perturb current operations in numerous ways, in particular, the costs of doing business, unpredictability of the policy environment, insecurity about their operations and rights, as well as the possibility of obliterating the attractiveness of the political investment climate.

8.4.3 Significance of the theme to the research questions

For the reason that previous studies have not clearly shown how political corruption impacts on FDI, it is fair to say that this study has unearthed a factor that determines FDI that has not been brought forth in the context of South Africa and is rarely within the scope of FDI determinant literature except for handful works such as the ones by Wei (2000) and those by international organisations such as United Nations. In essence, the study shows that political corruption is yet another determinant of FDI in the context of South Africa, giving possible explanations to institutional inefficiency discussed earlier, and leadership's adamant determination to continue with reforms that are not yielding satisfactory outcomes. The finding also sheds light on why the levels and nature of FDI inflows are below those anticipated, as it shows salient factors that potentially scares away investors. In essence, the finding enhances our understanding of the critical factors of the political investment climate and how they are linked with political, social and economic goals. In other words, the finding affirms the study's assumptions about the vicious cycle of the South African situation, conceived from the conceptual frameworks in Chapter 5 and is later presented and discussed in the light of present findings in Chapter 9. The sort of political challenges which emerged from the analysis have been presented under the political corruption theme, suggest the both the procedural and distributive political risks the study proposes for explaining the political challenges and risks situation in South Africa.

8.4.4 Summary of the findings on the political corruption theme

A summary of the issues that constituted as the political risks under the political corruption theme is summed up through the analytical framework window. The proposed category of the risks factors and challenges are in the far right column.

Table 9: Summary of the observations on the political corruption

flow of political challenges and risks forces	Source of political challenges and risks	Groups generating the political challenges and risks	Events and indicators of political challenges and risks	Effects on businesses (Direct or indirect)	Extrapolated political challenges and risks category
Government	Political corruption on the legal framework, linking to the regulatory and institutional environments	Government officials and politicians	influence of political power on the legal and regulatory frameworks as well as government institutions	Weak legal framework insecurity of investments Ineffective regulatory framework Weak institutions	A mix of all types of political risks: Systemic, Catastrophic, Procedural and distributive political risks

Source: Own research.

The following section continues to explore research question 1 and 2, this time discussing the key findings under the theme regulatory burdens.

8.5 Theme 4: Regulatory challenges

As demonstrated on the main storyboard presented at the beginning of this chapter, this third of the four main themes came into being after considering, from data, the aspects that constitutes the source of potential political challenges and risks, this time, emerging as the regulatory challenges. The theme comprises of elements that expose the groups or situations through which political challenges and risks related to the regulatory environment are generated. These elements are the aspects identified in the participants' feedback, which entails how the government controls or influences its policy making faculties with regards to the economic, political and social objectives and how they impact on investors and FDI attractions. They also entail the perceived political challenge or risk event with detrimental effects on investors and FDI seen through the current regulatory frameworks and the effectiveness of the government policies.

Thus generally, the theme encompasses the perceived political challenge or risk effects with detrimental consequences on investors and FDI, seen through discriminatory economic policies, operational restrictions in terms of employment policies, ownership, private property rights and compulsory partnerships according to the analysis. Just like other themes, the perceived risk types to businesses, the study proposes that the risk factors and challenges befit the characteristics of systemic, distributive, procedural and catastrophic political risks.

Key issues that feed into this broad theme are:

- Unpredictable political and policy environment
- Discriminatory economic policies
- Impractical reforms

8.5.1 Findings and discussions

It is important to mention that the findings presented here are not well balanced in terms of the participating groups of stakeholders. This is because the government participants were at times, reluctant to part with any information that answers questions requiring government input to understand better the policy environment. This therefore, may be an area of interest for future research.

8.5.1.1 Unpredictable political and policy environment

It is also necessary to mention that the findings discussed under this sub-theme closely relates back to the socio-economic factors, but this time, in terms of how they tie up with the regulatory environment in which investors operate. The perceptions that socio-economic problems will trigger political unrest were particularly interesting and important to follow in terms of how they impact on policy framework, particularly when concerns about the direction of economic policies and restructuring programmes were widely echoed.

In as far as economic policies are concerned, most respondents informed that they believe that the socio-economic situation is making the policy and regulatory frameworks very unpredictable, and as such, they are finding it very difficult to plan ahead. The major perceptions from both foreign and local investors were that, as one foreign banker said,

"I believe the unresolved socio-economic problems is triggering the civil disorders, which in their view, triggers political challenges capable of destabilizing the economic policy or the political environment of businesses" [Operations Manager, foreign bank 9].

Adding on to the issue of policy and political uncertainty due to socio-economic circumstances, some investors claimed that, as summed up in this statement;

"For some years now, we have not made any significant developments in terms of growth or expansion because we are fearful to make any further investment commitments besides what we currently have" [Managing Director, foreign bank 2]

An independent investment advisor shared similar views with foreign investors on the bleakness of the policy direction,

"When the policies remain hazy, business and potential investors conclude that the business climate is not conducive, they won't be happy to invest if they are not able to make decisions to grow or expand" [Director, Southern Africa Investment Advisor, Intermediary]

These sentiments were a recurrent theme throughout the analysis as the quotation below illustrates some of the views held by many other foreign investors;

"I think most investors are worried. Despite years in operation, we are worried that the political situation can change anytime and in a way that can affect our businesses. We have a season called strike season here (laughs). When riots occur or when strikes happen, who suffers....us! When black market is flourishing like this, who suffers? us again. You see what I mean?" [Operations Director, local bank 1].

Political investment climate challenges due to socio-economic problems appear to extend to cause fear and anxiety in as far as investors are concerned because, according to one public relations officer in a domestic bank,

"They are an active volcano waiting to erupt anytime", prompting some of the investors think that the socio-economic challenges will cause a lot more challenges to the government and the economy, and in particular, to the policy frameworks, than the sporadic strikes they currently experience.

Under this theme, respondents also felt that there is a degree of unfairness in the way economic and restructuring frameworks are designed, concerns of which are discussed under the following sub-theme.

8.5.1.2 Discriminatory regulations

Firstly, the researcher draws the meaning of the discriminatory regulations from her knowledge of the trade and investment field and existing literature, discriminatory regulations refers to the economic reforms that are distinguishing or regulating the investment climate according to whether investors are domestic or foreign, but most uniquely in South Africa, issues of colour and race are thought to be central.

One specific question that led to the discussions revealing feeling that the regulations were discriminatory was, *"Could you describe the policy and regulatory framework that directly affects you?*

Foreign investors in particular expressed feelings of hurt over what they described as discrimination in a modern economy due to the problems they did not cause. In order to understand what this theme entails, a close look at a quote from one CEO of a foreign bank will provide an overview of the views held by most foreign investors and what they were implying in terms of discriminatory policies;

"There are some regulatory and policy issues I do not understand. The Black Economic Empowerment (BEE) regulation is one of the many. I feel it is not right or at least if it were, it is not anymore. We want to do away with racial discrimination because it crippled this country in many respects, yet today, the government carries on formulating policies that are clearly discriminatory by race and colour. If apartheid created problems because of discrimination, why follow in the same footsteps. Why should the government base major economic reform on race or colour? Is it not racism to tell foreign investors to employ people on the basis of their race or colour?" [CEO, foreign bank 10].

The statement seems to imply that foreign investors are of the opinion that policies that segregate the economy according to colour or race are not good because they still resemble those of the apartheid era and they fear they are continuing to divide the people instead of uniting them. Also, judging from other similar utterances embedded in most foreign investors' views, it can be reasoned that foreign investors are of the opinion that policies that segregate the economy according to race are the same as the ones that used to be called 'apartheid', only now the name is changed to the 'acceptable' version of discrimination dubbed 'economic reforms'. This seems to be where most of foreign investors' concerns lie, because to them, it is still discrimination.

The above quote and other similar perceptions that recurred throughout the interviews with foreign investors and some intermediaries portray some negative perceptions about the BEE economic policy framework, specifically the employment preference directive, which states that foreign owned entities, should give exclusive preference to black South Africans when filling vacancies. The policies of this nature seem not to augur well with foreign investors, who believe they impinge significantly on the freedom and easiness of doing business which hinders their investments growth and development.

Further probes were made in order to establish why foreign investors feel that policies such as the BEE are discriminatory rather than just a simple policy meant to rebalance the economy? and to understand whether foreign investors appreciate the political and economic history behind the restructuring oriented policies?

Interesting responses to these questions provide many arguments from which very relevant suggestions can be drawn. First and foremost, most foreign investors said, as highlighted in this statement by one of the managing directors; *"We as investors are aware of the problems that apartheid created and are happy that they be addressed because failure to address them is detrimental to their operations".*

The analysis demonstrated that most of them acknowledged that there is a problem and asserted their willingness to support government's efforts to alleviate the challenges. However, despite their inclination to support the transformations, it was clear that they do not believe in following in the footprints of apartheid to solve the problems of yesteryear. As a matter of fact, some felt that adopting the BEE employment mandates, for example, is not the solution to redressing the economic imbalances in a country seeking to attract FDI because they reckon it complicates the processes of doing business in South Africa. One of the participants had this to say;

"FDI is not the problem that the government should seek to target with unfriendly regulations in my view. It is the solution that can alleviate the socio-economic challenges if prioritised. There is a lot that FDI can do if the government can realise and emphasise its significant and the roles it can play" [Economic Analyst, intermediary].

One issue raised by participants was with regards to the labour freedom in respect of the employment directive. Foreign investors plainly pointed out that they resent the directive because it is "forcing" them to recruit people on the basis of their colour whilst disregarding many underlying facts, in particular, the skills gap that is reportedly characterising the labour market. One of the foreign bank managers commented;

"The government should let the forces of the labour market determine who people should employ; otherwise they are causing unnecessary problems" [New Business Development Manager, foreign bank 6].

In his perspective of a competitive labour market and competitive investment climate, job opportunities should be given to anyone with the qualifications and skills required by the employer and not to prescribe what employers should do. These sentiments echo opinions uttered by one compliance manager in a foreign bank, who sternly stated that his bank would not employ a white person because he is white whilst there is a black person with better skills and qualification and vice versa;

"In this day and age, it is not necessary to use discriminatory policies to regulate the labour market for example. Who in their normal reasoning capacity would employ someone who is not suitable just because they are of the colour they prefer? We all want what is best for our business values" [Investors and Compliance Manager, foreign bank 8].

In literature, there are not very many existing notions on the race and colour discriminatory policies in the FDI literature. However, arguments presented here can be reasonably linked to notions reflected in the literature that discusses FDI restrictions in the light of investment determinants. Most relevantly, the view that discriminatory measures hinder investors' progress is very much in line with those published in a OECD (2002) conference paper, which highlights the challenge as an impediment to FDI inflows because discriminatory policies of any kind can discourage investors. In this study and as with other studies such as Naude and Krugell (2003) creating favourable investment climate for attracting investments is a common factor found in the research data. Caves (1971, 1974) argue that foreign investors will invest in foreign countries only if the country's business environments are not controlled by rigid rules and regulation, which suggests that failure of the host country to lure FDI from that perspective, diminishes the attractiveness of the country to FDI. Also according to Lim (2001), a country needs to thoroughly spruce up its business environments for investors to take notice of it. South Africa is thought to have done some very impressive work in creating an attractive investment climate to foreign investors (Wocke and Sing, 2013) just like many other African countries (Morisset, 2000; Asiedu, 2002). However, researchers that have cast a beam of light on the South African FDI determinants insist that regulatory environment is quite burdening especially with regards to labour laws (Fedderke and Romm, 2006; Tuomi, 2011).

Golub (2003) discusses in general, a wide range of discriminatory policies and their subsequent challenges and he does a good job pre-stating the notions that this study echoes. For instance, Golub (2003, p91) discusses the impact of discriminatory labour mandates to FDI, citing that labour prescriptions limits the scope of labour expertise investors may tap into in order to function effectively. In accordance with the current study, the labour restrictions that South Africa is imposing on businesses appear to put them at a competitive disadvantage because of the skills deficiency characterising the labour market.

The analysis have shown that, concerned with the mandate, some foreign investors complained that complying with the obligations to employ a specific number of people from a specific race is a liability which imposes many economic hurdles that are inhibiting the growth and development of their investments. It also surfaced that some felt that their freedom of doing business is heavily undermined by the government's use of force to coerce them into paying for the ills of apartheid, which all of them deny having contributed towards as the following statement from one director demonstrates;

"Why we are supposed to accept the blame of anything that I don't even know. Until when foreign companies are supposed to pay for the problems created ages ago I am not sure. My business story has no ancestry heritage from apartheid to bear its consequences. The government should not continue to build bridges using grass. They should come up with better strategies rather than keep using an iron fist approach" [Managing Director, foreign bank 11].

A number of inferences can be drawn from this and similar other interview accounts. For instance, it is apparent that some of the foreign investors do not see why they should be caught up in the socio-economic inequality that is dividing the country, since most of them deny being racist, arguing that they worked to get where they are. One CEO of a foreign bank was angry about the mandate as he denied that neither he nor his predecessors have been helped to start business or leveraged to where they are by apartheid, therefore it is unfair for him to be held accountable for economic inequalities in the country.

"Did I or my father or grandfather benefit from apartheid? No, we have not. So why am I not treated just like any other South African" [CEO, foreign bank 9].

The same CEO was of the opinion that the government should seek to rectify the disparities in a way that does not hold foreign owned companies to ransom, but uses far reaching strategies that persuade everyone to rally behind the government objectives. Most apparently, this CEO believes that the use of directives that spells out colour like the BEE does, is continuing to reinforce the existing racial tensions and resentment in the country.

Again, as highlighted earlier by one economic analyst, the sentiments presented here appear to suggest that foreign investments can help close the social and economic gap but not in a way that seems to pose challenges or discourage them from South Africa, which according to one director; *"is a blameful approach"*.

In South Africa, economic policy documents do not clearly demonstrate whether or not the policies discriminate against foreign investors. In fact, the ANC vision in the ANC website states that the objective of all policies, macro and microeconomic policies, is to eliminate all forms of discrimination, be it in the social or economic realms. From such a strong pillar of economic vision, one might think that all the economic policies are practically crafted in such a way that everyone gets a sense of belonging. This is probably the reason why some investors believe that any policy that has discriminatory characteristics is not only unfair, but hinders the growth and development of the country.

"Redistribution programmes and policies must be well thought of. Perhaps apprenticeships rather than regulations that discourages investors because they are forceful, are not the right option if the government thinks FDI inflows can help grow the economy" [Economic Policy Analyst and Advisor, Intermediary].

The understandings that can be drawn from the interviews seem to highlight that both foreign investors and intermediaries prefer a level playing field for all investors, rather than restricting the operations of foreign investors. In short, this means that instead of relying on economic reforms that discriminate against foreign investors, the government should re-strategize its restructuring approach by focusing on attracting more investors and using FDI as a strategy to enhance the socio-economic development of South Africa.

The above supposition is in line with the observations made by Gelb (2002; 2004), who noted the deterioration of the regulatory environment in South Africa specifically focusing attention on the BEE regulations, and suggested the need to look at other strategies to help transform the economy. Also, the findings unveiled under this theme seem to provide a firm support for the notion that FDI brings social and economic benefits to a host country (UNCTAD, 2005). For instance, by simply deducing from the opinions voiced by respondents, which seem to suggest that the government should try to formulate policies that encourage investors in their operations instead of enforcing those that are discouraging, it is perceptible that both intermediaries and foreign investors are drawing their suggestions from the widely accepted world view that inward investments can help host countries going through economic transformation processes.

The respondents' views seem congruent with those of Southall (2007), who alleges that BEE tends to scare away investors because it champions re-racialisation of the political economy of South Africa and it reduces the economic freedom of foreign investors, particularly the mandates that compels them to partner with locals and the employment mandate which demands that foreign companies employ a certain number of local black people. This seems not to go down well with foreign investors in the banking sector, who feel they should be at liberty to employ people who matches their skills demand rather than race. The statement also seem to suggest that attracting more FDI could be the answer to South Africa's problem of inequality, since FDI inflows bring in many economic benefits that enhances development (Dupasquier and Osakwe, 2006; Quazi, 2007; Fedderke and Romm, 2006; Moolman et. al, 2006; Fedderke and Simkins,2012).

The elimination of discriminatory policies for a liberalised investment climate is emphasised widely in the FDI determinants and FDI motivations to host countries literatures. Looking at the FDI - Growth nexus, some researchers have demonstrated that FDI is a vital ingredient for sustainable economic growth and development. Therefore, they suggest the implementation of policies that engender hospitable investment climates, with the view that FDI can help nations achieve their economic goals. For instance, (Goldberg, 2004) cites the ability of FDI to help close the income gap through job creation and wage effects, which is what South Africa desperately needs according to current findings. Furthermore, the associated capital inflows and accumulation, as well as the assumed economic growth (De Mello, 1999; Alfaro et al, 2002, 2006, 2010; Campos and Kinoshita, 2002), will potentially help the government to see beyond BEE in economic policy making aimed at alleviating socio-economic problems.

In a major study, Dunning (1994) cited the injection of entrepreneurial skills and transfer of knowledge on management style as other significant benefits of FDI, which if the FDI strategy is fully embraced, can help the South Africa's labour market to gain the essential skills required in today's businesses.

In the case of South Africa, as respondents' accounts suggest, it seems reasonable to put forward the investors consensus opinion to the effect that, focusing on attracting more inward investments may help the country to accumulate the income required for black empowerment (such as provision of training and education for skills development amongst many other requirements) instead of implementing radical economic reforms which intimidate investors. This is because, it is a fact that South Africa envisions FDI as a viable economic development strategy, but then it is perplexing to find its economic reforms at loggerheads with its FDI attraction objectives. So, there is need to draw people's attention on the point that, despite the previous historical delinquencies of apartheid, economic policies should not be crafted in such a way that interferes with the stability of the investment climate or directly impinge on FDI, in order for South Africa to really achieve the potential in FDI enhanced growth.

Indeed, if reasonable extrapolations were to be made on the success of the BEE policy in terms of the number of years BEE has been in operation, added to the fact that participants who responded to the question about BEE progress do not applaud it, as said one of them;

"it's a pity that the government has remained adamant about the BEE as a means to narrowing the social and economic income gap, but it is a no brainer that it has failed, and will not succeed given the very many underlying issues" [Economic Analyst, intermediary]

It can be concluded that even fervent advocates of the BEE should agree that the policy is not living up to its expectations. Most notably, there seems to be very little or no evidence to show that the socio-economic gap that the policy is meant to close is closing. In fact, and as literature attests, no evidence or suggestions exist that inequality levels are declining. Most recent publications concur that the socio-economic gap is actually widening (Schlemmer and Moller, 1997; May and Govender, 1998; Moller, 1998, 2001). Some even allege that instead of closing the gap, BEE is creating an empire of black economic elites closely connected with the ANC (May and Govender, 1998; Southall, 2004; Tangri and Southall, 2008).

Within context, more and more explicit evidence of the BEE failure can also be drawn from the recent government move to remodel the framework into Broad Based Black Economic Empowerment (BBBEE). In this policy document, it is clear that the government admits that the BEE policy has been narrow and only benefited a few people. The BBBEE is meant to ensure the broadening of the population to benefit from the reforms. Whether this move will be effective or not remains a formidable challenge to investors who view the future of the policy as bleak, as long as sustainable ways of addressing socio-economic challenges are not in place.

8.5.1.3 Impractical reforms

Talking of inhibiting investors' growth and development by use of policies, opinions that emerged from data demonstrated that the problem reels back to the government's lack of vision to visualise the incompatibility between the policy it is enforcing and the available infrastructure. One of the intermediaries interviewed wonders if the government is oblivious of the fact that, he questioned;

"The policies and the objectives are so at loggerheads. The BEE reforms antagonise the FDI attraction agenda in my opinion. The support for the policies and objectives is so disjointed. It makes it impossible to achieve any of the objectives if not careful" [Economic Policy Advisor, intermediary].

Judging from the grounds of the skills gap that respondents kept mentioning, for example, it seems there is a functional problem that the government is failing to put into consideration when they formulate the economic reform programmes. Because, as voiced by some participants, summed up in this state;

"The government is very much aware of the labour deficiencies, but the same government imposes that foreign companies should employ so and so. Which investor would be happy to comply with that?" [Managing Director, foreign bank 1].

Respondents' accounts provide explanations for the phenomenon of human resources deficiency in South Africa. Thus, the skills gap haunting foreign investors today was created during apartheid, when black South Africans were not allowed to attain any significant education or training, which forced them into non-skilled labour intensive employment only.

The problem facing foreign investors due to the BEE employment equity appears to be that the people that the policy intends to push up in order to balance the income levels do not possess the qualifications or management skills required in high-skilled labour industries like the banking sector. According to most foreign banks interviewed, complying with the policy is burdensome because the employees do not bring much economic value or add competitiveness of their investments.

Opinions that emerged from data demonstrated that the problem goes back to the government's lack of vision to visualise the incompatibility between the policy it is enforcing and the available infrastructure. Another intermediary interviewed wondered also, if the government is unmindful of the fact that the generations they are forcing investors to take on board lack the qualifications sought in modern businesses or BEE is just a strategy for reinforcing political power, hence his utterance;

"The naked truth with the BEE is not about whether it is good or bad only. The fact is whether it is feasible at the backdrop of the resources available and the pressing social and economic issues. For example, the government fails to take into consideration that when the inequality gap was created, it deprived, mainly blacks, of education and job skills. Hence the skills gap current investors are mourning about, cannot be ignored" [Political Analyst, intermediary].

As the above statement demonstrates, throughout interviews, foreign investors maintained that the government "cares less for them", insisting that "its actions" manifest in the reform policies that clearly mismatches with key success factors for both industry and commerce.

This is not the first time that a mismatch between the government's economic policies and practice has been mentioned. In some previous research works, the difficulties of reconciling BEE reforms and other important infrastructures have been reported. Southall, 2007; Tangri and Southall (2008, p699-716) note that the government did not and still is not taking into consideration the importance of supporting infrastructures for BEE to be fully accepted and become successful. In what seems to relate closely with the current finding, Southall (2007) suggested that the government should instigate training of previously disadvantaged people before forcing investors to take them on. His report was very clear on the responsibilities the government should attempt to take before shoving the socio-economic transformation responsibility onto investors through burdensome regulations.

Still on the dearth of essential skills in South Africa's labour market, the study seems to accord with CUTS (2003) that mentions the mismatch between labour demands and what is available and Pillay (2000) who also pointed out the problems of skills deficiency in a study on socio-economic challenges in South Africa. Although the investigation conducted by CUTS does not specify a policy that is unpopular with investors, as in this study, the study established that investors find the labour market excessively controlled and burdening, especially to foreign investors because of the imbalances between skills demanded and skills available.

8.5.1.4 Regulatory challenges to investors

In this line of thought, perceptions building onto earlier discussions, which was significant in that it allowed the discussions to unveil views that highlighted the mismatch between theory (policies) and available resources (human resources) to support the economic reforms, and how the investors are trying to get around them. Besides the already identified financial connotations to the company that comes with having to comply with regulations that are not well supported in practice, corruption was identified as best option, although it too, increases their costs of doing business in South Africa. For example, interviews with senior personnel of foreign banks demonstrated that paying bribes to inspectors so that they pass the BEE compliance tests was better than complying with unfeasible regulations. In view of the employment or partnership mandate for example, a managing director vaguely admitted that bankers would resort to paying bribes to monitors; *"Partnering is out of question, it is hypothetical. Achieved only by those with strong political muscle, otherwise who would do that?"* Most of them stated that it is easy and possible to bribe regulation monitors in order to avoid some of the mandates. Some admitted, though, that this is a short term problem fix with financial implications, and that they only do this because the other option has worse burdens.

Although literature and the government official who participated in this study, shed no light on the subject about the corruptibility of government officials by investors desperate to avoid the BEE regulations, claims that burdensome regulations prompt those targeted to engage in corruption recurred throughout the present data and in previous studies. For instance, Saladin (1999) notes that complex regulatory schedules incite corrupt practices because investors feel pressured to abide by unfeasible rules and regulations. Also, although the finding linking BEE regulations and corruption is not given much attention in literature, a number of writers have made some utterances that condemn BEE from a corrupt perspective. For example, (Southall, 2004; 2007) allege that BEE is an avenue for enriching the well-connected ones, particularly the few intelligent blacks with strong political backing. However, judging from the findings so far, it seems the regulation avoidance option presents even more major operational problems in the long run. For instance, both the corrupt officials and the investors are making the BEE policy ineffective. This looks like the sort of impediment causing the stagnation of the socio-economic situation and, as already been discussed in previous sections, their actions affect the investors negatively.

8.5.2 Key observations on the regulatory challenges

There are several economic policy instruments that encompass quite a number of economic regulatory components in South Africa. These include: the micro and macroeconomic backbone policies under the Reconstruction and Development Programme (RDP); Growth, Employment and Redistribution strategy popularly known as the GEAR; and the Microeconomic Reform Programme. The need to redress the economic disparities created by racial segregations during apartheid, is the basis from which most of the country's economic policies are formulated, hence the reason why the terms restructuring, redistribution or reform, feature in most if not all of the country's economic policy frameworks.

The study focused on a new line of perspective regarding FDI factors in South Africa by seeking the views of participants on the political investment climate in the banking sectors. The consensus views underscored that the current BEE directives are unfavourable to investors because they are (1) unpredictable, (2) discriminatory and (3) impractical. The analysis sheds light on several financial and operational implications emanating from these challenges. For example, in view of the BEE's employment equity act, foreign investors feel blamed for the ills of apartheid that they did not contribute to, a factor that seems to discourage FDI. They also feel that the government is violating their freedom and rights to use their own judgement when recruiting employees. Their ordeal is further worsened by the fact that it is not economically viable to comply with the regulations due to the skills deficiencies in the labour market.

Further, the actions of the government, specifically the withdrawal from the BIT agreements, appear to be shaking investors' confidence in as far as the security of their investments is concerned. Also, the fact that corruption is widespread, casts a shadow of doubt on the viability of the economic policies, which interlinks with the views on the efficiency in government institutions, and later the alleviation of socio-economic problems under such conditions. To that end, the participants mentioned that corruption is not a solution but a quick fix to the problem. With corruption, comes a myriad of challenges that boomerangs to investors in both short and long term.

After going through interview accounts for meanings and explanations, the following preliminary conclusions on this theme can be proposed. It is clear that the government is incited to do away with discriminatory approaches and to formulate policies that are attractive to investors rather than those that discourage them. Perhaps it is time to try and focus more on the FDI - growth model, particularly inward FDI to grow and develop the economy, instead of grappling with policies and reforms that have negative impact on each other, which at the end of the day, hinders the achievement of perhaps all the national agendas.

It is important to highlight that for the purpose of this study, the regulatory challenges theme illuminated only the challenges emanating from the current economic restructuring regulations are included. Chiefly, the Black Economic Empowerment (BEE) regulations, whose mandates seek to, redress the wealth disparities caused by apartheid. The focus of attention on the BEE policy framework became apparent because the study explored the constraints and obstacles that are politically entrenched. The BEE, now broadened to Broad Based Black Economic Empowerment (BBBEE) framework, is most crucial to the country's political and business climate because of the historical and political problems it seeks to address. Most essentially because of its ideologies, which are deeply rooted in the country's politics.

It is also necessary to mention that participants' accounts captured under this theme provided very diverse views on what challenges the BBBEE mandates present to domestic and foreign investors. This is because the BBEEE framework divides the investors according to whether they are foreign or domestic and seems to impact more on foreign investors or the business climate of foreign investments than their domestic counterparts. As a result, the findings discussed under this theme, reflects mainly the views of foreign investors, who happen to be the most affected, and those of the intermediaries. Local investors and government representatives did not seem to see any challenges from the reform policies, although some domestic investors express doubt about the success of the mandates. It is therefore necessary that future research pursues the government opinion on the regulatory issues raised by the foreign investors and intermediaries, perhaps by questioning what the government makes of the investors observations with regards to the future of policy and regulations, in order to paint a clearer picture of the country's policy climate, which currently appears hazy.

8.5.3 Significance of the theme to the research questions

This theme shed a light on a different dimension of the regulatory environment of South Africa. It illuminates the fact that investors are not satisfied with some economic reforms, specifically those concerned with the socio-economic transformation. For instance, during interviews, participants revealed various constraints and obstacles that relate to how the economic policy framework regulates the investment climate of investors. Some view the economic policy as vague and unclear in terms of consistency and direction, which is causing anxieties and feelings of uncertainty. Some have pointed out the mismatch between policy and practice, some talked about the impracticality of policies, and some raised the subject of corruption and its challenges.

This finding tries to extend our knowledge on the dilemmas within the South African political economy by exposing the feelings of current investors on the investment policy framework. It seems reasonable to conclude that, whilst it is fundamental for the government to redress socio-economic imbalances, the use of economic reforms such as the BEE may not necessarily be a healthy option with regards to investment inflows. This is because the policies are not only proving a failure but a hindrance to the country's success in facilitating the growth and development of businesses, and might also impede the inflow of FDI, all of which negatively impact on the economic growth and development. Subsequently, this chain of events may cripple the government's ability to achieve either of the national fundamentals, which may then explain the premonitions, anxieties and uncertainties over policy and government stability that both the existing research (Fedderke and Simkins, 2012; Wocke and Sing, 2013) and current study tries to spell-out.

The finding adds weight to Fedderke and Luiz (2008) argument that South Africa needs to have a predictable regulatory climate to be able to attract investors. This is because, very strong feelings of uncertainty and anxiety over the future of economic policy, what will happen to property rights, business progress and profitability in such circumstances, were ubiquitous. This is not the first time that uncertainties over policies have been brought into perspective. Tuomi (2011) wrote about how investors feel about the regulatory environment in South Africa. The only limitation with Tuomi's findings is that the researcher did not offer further explanations as to what exactly, the investors meant, which this study attempted to provide. Still on the same note, investors' anxieties and feelings of uncertainty that the study unearthed, could perhaps explain commonly agreed assumptions that the levels of FDI into South Africa are below expectations (Fedderke and Luiz, 2008; Tuom, 2012, Wocke and Sing, 2013) given its resources and level of infrastructural development (Simon, 1984).

Consequently, corruption practices develop on the part of government policy inspectors to accept bribes from investors in order to enable them to pass the BEE mandates, which is not a sustainable solution but a quick fix to the problem.

Clearly, the finding suggests that the government should perhaps do away with discriminatory approaches and formulate policies that are attractive to investors, rather than those that discourage them. Perhaps, it is time to try other strategies, particularly inward FDIs, to grow and develop the economy, instead of carrying on with current policies that have been tried but with no significant changes for more than two decades.

The finding supports the presumption that there are policy inadequacies that have been noted in literature reviews, and that regulatory factors are a critical factor of both the theoretical and practical puzzle in the vicious cycle of political economy of South Africa presented in Chapter 9.

8.5.4 Summary of finding on the regulatory theme

The main issues comprising the regulatory challenges are summarised as viewed through the analytical framework used to analyse the research data. Again, the far right column highlights the suggestions on preliminary conclusions and will be imported and explained further in Chapter 9.

Table 10: Summary of the observations on the regulatory environment theme

flow of political challenges and risk forces	**Source of political challenges and risks**	**Groups generating the political challenges and risks**	**Events and indicators of political challenges and risks**	**Effects on businesses (Direct or indirect)**	**Extrapolated political challenges and risks category**
Government	Regulatory framework	Policy makers	-lack of socio-economic development -Discriminatory, impractical reforms -Unpredictable regulatory climate	-Regulatory changes Policy uncertainty, anxiety, insecurity	Systemic and distributive political risks

Source: Own research.

The research question 3, which was concerned about tailoring the perception and opinions drawn from the findings in order to inform policy, will be explored later in Chapter 9, by means of demonstrating how the research contributes to knowledge. In that discussion, the study will consider insights that emerged as suggestions and opinions about the political investment climate that the participants envision.

8.6 Overview of what is new from the research

As reiterated above, the study has unveiled the oversight in the existing literature that has resulted in the key gaps in knowledge, which required additional insights from the lived experiences of stakeholders in the South African banks. For easy follow through, the matrix below is a snap-shot of the summaries recalled from all the four major themes above, which demonstrate the forces, sources, groups, events, activities, actions and behaviours, the effects on the business environment, as well as the types of the political factors and challenges this study conclude are unique to the South Africa's banking sector.

Table 11: Summary of new knowledge highlighting the extrapolated political challenges and risks in the South African banking sector

flow of political challenges and risks forces	Source of political challenges and risks	Groups generating the political challenges and risks	Events and indicators of political challenges and risks	Effects on businesses (Direct or indirect)	Extrapolated Political challenges and risks category
Both Government and National environments	Socio-economic environment and the prevailing situations - poverty - unemployment - social and economic inequality	Government and ordinary citizens	national frustration as a propensity for rise in - strikes - demonstrations - riots - Violent crime - corruption -negative attitude -rise of opposite political parties	-changes in policy and regulations -changes in government economic objectives	Systemic political risk Catastrophic political risk Distributive political risk
flow of political challenges and risk forces	**Source of political challenges and risks**	**Groups generating the political challenges and risks**	**Events and indicators of political challenges and risks**	**Effects on businesses (Direct or indirect)**	**Extrapolated Political challenges and risk category**
Government	Institutional environment	Government official and civil servants	demands bribes -inefficiency and poor service delivery -ineffective policies	-cost to business -vulnerable to abuse -unchanging or deteriorating socio-economic environment	- systemic and procedural
flow of political risk forces	**Source of political challenges and risks**	**Groups generating the political challenges and risks**	**Events and indicators of political challenges and risks**	**Effects on businesses (Direct or indirect)**	**Extrapolated Political challenges and risk category**
Government	Regulatory framework	Policy makers	-lack of socio-economic development -Discriminatory, impractical reforms -Unpredictable regulatory climate	-Regulatory changes Policy uncertainty, anxiety, insecurity	- Systemic and distributive political risks
flow of political challenges and risks forces	**Source of political challenges and risks**	**Groups generating the political challenges and risks**	**Events and indicators of political challenges and risks**	**Effects on businesses (Direct or indirect)**	**Extrapolated Political challenges and risk category**
Government	Political corruption on the legal framework, linking to the regulatory and institutional environments	Government officials and politicians	influence of political power on the legal framework	Weak legal framework insecurity of investments	- Procedural and distributive political risks

Source: Own research

8.7 Conclusions

The study investigated the political challenges of investors in the banking sector of South Africa, hoping to paint a picture on the political factors that might influence the flows of FDI into South Africa. From a critical analysis and discussion of the findings, the study revealed that factors of the socio-economic sphere, government and institutional factors, regulatory issues connected to socio-economic agenda and political corruption, are the challenges that investors face in operating in South Africa. What is most interesting from these findings is that they demonstrate that South Africa has its own political factors that are likely to be unique and specific to its business environments, which previous studies have not been able to explicate.

The new knowledge which the research brings up might have several policy implications, and these will be elaborated on in the next chapter. Specifically, the chapter will conclude the study, elaborating on the key observations outlined in this chapter, restating and explaining the nature of the gaps in knowledge, and stating the research contributions, demonstrating how the study fits into the overall body of literature on FDI determinants, how the findings apply to the context of South Africa, before reflecting on the study limitations and suggesting areas for research.

Summaries and the significant research inferences and conclusions have been systematically provided after the discussions under each and every theme in this chapter, and these will again, be critically reflected upon in the conclusions and contributions chapter (9) next.

9 CHAPTER NINE: CONCLUSIONS AND CONTRIBUTIONS

9.1 Introduction

Whilst the existing body of knowledge contributes enormously to the existing theories on the factors that are important to the operations and flows of FDI, it lacks the specificity, depth and detail necessary to understand better, the nature of the individual FDI factors in South Africa and other African locations. This study responded to the bigger and more important research problem that researchers within the international business field, specifically those interested in the FDI phenomena, are concerned about. It responds to a direct question that seeks to find out more about the political challenges facing investors in the banking sector of South Africa, in order to understand better, their nature and how they are impinging on the operations of investments or likely to hinder the flows of FDI.

As stressed in Chapter 1, the primary research question arose from having identified the gaps in knowledge, which were observed in the body of literature reviewed for the purpose of this study (Chapter 5). Thus, literature review led to the conclusion that it is difficult to conceptualise sufficiently, the nature of the factors that hinder the operations or flows of FDI into individual countries and industries respectively, mainly because the existing body of knowledge lacks specificity, depth and detail in terms of specific factors in specific country and industry, due to their multiple factor, cross-country and cross-industry analysis orientation. This lack, it was also concluded, makes existing theories on factors that determine the flows of FDI appear irrelevant to individual countries, especially given the heterogeneity of the business environments in African countries.

In response to the gaps in literature, this study, unlike existing research studies that seem concerned about finding the effect of wide ranges of FDI indicators on FDI flows across multiple countries and in cross-industries. Also, this study was narrowed in scope and focused only on a specific FDI factor (political factors), country (South Africa) and industry (banking sector).

To navigate around a research problem, which this study concluded is very complex and very subjective in nature; the study settled within the qualitative research tradition and employed the inductive research approach. For data collection, the research employed qualitative interviews using the semi-structured interview technique, as well as relevant documentary evidence and materials gathered from official websites, informal discussions and conversations in a triangulated approach. Data yielded from interviews were transcribed and analysed qualitatively through a thematic analytical framework, unveiling several politically related factors and challenges that were housed in 4 major categories, namely: Socio-economic challenges, institutional challenges, regulatory challenges and political corruption. The neutral evidence based findings were presented and critically discussed in

Chapter 8. The study revealed major political challenges that are unique to South Africa in terms of their impact on current investors and in terms of how they may fit into the wider political risks and challenges conceptual frameworks on FDI inflows, a conclusion that supports the research's position about the gap in knowledge that it attempts to address.

9.1.1 Overview of previous chapters and this chapter

The research framework (figure 1) formulated at the beginning of this research comprises of 4 major structural pillars, which all stand for different but mutual causes. Pillar 1 showcases the problem under study and why it is important. Its cause is argued for in chapter 1. Pillar 2 stands to acknowledge the contributions of the existing knowledge by discussing the Domain Knowledge within the parameters of this study, as reviewed in Chapters 4 and 5 respectively. Pillar 3 outlines the methodological framework employed to study the problem, and this was presented in chapter 6. Finally the 4th pillar, which stands to draw logical conclusions from the research findings and to demonstrate the anticipated contributions to knowledge, forms the basis for this chapter.

Thus, the chapter serves to answer these questions: 1) to what extent has the research achieved its purpose, 2) are the findings confirming or disproving the initial research assumptions forming the foundations of this thesis; specifically, that the existing knowledge is limited because it lacks specificity, depth and detail in relation to specific FDI factors in individual countries and industries, 3) and how does the research contribute to knowledge. In so doing, the chapter attempts to draw and evidence the research conclusions in the light of existing knowledge.

In brief, the chapter restates and explains the nature of the gaps in knowledge, states the research contributions by demonstrating the uniqueness of the findings, how they fit into the overall body of literature on FDI determinants, and how they apply to the context of South Africa. The chapter closes by reflecting on the challenges encountered during the research journey and pointing out areas that may require further or future research attention.

9.2 Conclusions on findings in the light of the research questions

The following are conclusions related to research questions 1 and 2:

- Research question 1: What are the political challenges and risks for the investors in South Africa's banking sector?
- Research question 2: How do political challenges and risks affect investors' operations?

In view of the research questions 1 and 2, conclusions are drawn based on the findings related to the major themes that were adopted and used to present and discuss the research findings.

It is necessary to mention that the research question 3: how can knowledge of political challenges and risks inform policy to enhance banking sector investment climate for foreign firms in South Africa and other similar economies, which was set to address the research question 4, is concerned about how the researcher uses the insights from all the research questions in order to shed light on areas that may help improve the political investment climate of South Africa and other developing economies. Participants' perceptions and suggestions that appeared significant to this question were collated and suggested later as recommendations for policy and practice.

The brief summaries on the key findings presented under each theme in the previous chapter, form the basis of the research inferences and conclusions drawn next.

9.2.1 Political Corruption challenges

This finding appears to be the thread that ties together all of the political challenges that this study has revealed. The finding sheds light on to the factors impinging on the operations of investors in South Africa, particularly the factors suggesting that political corruption has a negative influence on the 1) regulatory and legal frameworks, 2) is behind the challenge of socio-economic underdevelopment, and is also linked to 3) institutional inefficiency, all of which are the challenges believed to be hindering the growth, development and the day to day operations of bankers. Thus, political corruption seems to be integral to the generation of the complex web of challenges in South Africa, and the challenges seems to confirm the assumptions in literature on the nature of FDI determinants that are capable of denting foreign investors' confidence in general. This shows therefore, that the finding makes significant contribution to the body of knowledge on the determinants of FDI, because it sheds light on the complex nature of South Africa's political challenges and the risks associated with the challenges, forming what seems like a complex web of political challenges that are unique to the South African banking sector (the complexity of South Africa's political challenges to investors and FDI will be demonstrated diagrammatically later on in this chapter). Clearly, the finding exposes the novelty of this study because previous studies have not shown how political corruption interrelates with other factors of FDI determinants to then impact on investors in the banking sector, let alone the impact it might have on FDI owing to its negative influence on the socio-economic spheres, the regulatory and the legal frameworks. This finding therefore enhances our understanding of the critical factors of the political investment climate and how they seem to link with the political, social and economic goals of the country, (also demonstrated later on in the chapter, as the vicious cycle of the political and economic spheres of South Africa). Further, this finding is important for demonstrating that focused research is critical in African FDI determinants research as it reveals new knowledge in relation to South Africa's banking sector, which anchors strongly, the importance of this study and similar studies in the future.

Participants fear that political corruption, manifesting in grand misconduct by senior political persons, is weakening the legal and judicial system, which seems to imply that investors may be feeling vulnerable in terms of how legal matters may be treated in South Africa. The implication on investors in a corruptible legal system would be (given that South Africa is in the process of nullifying some of the Bilateral Investment Treaties (BIT) that binds international trade and investments). The fact that the legal systems may lack the crucial characteristics such as integrity and impartiality appears to erode investors' confidence. The cancellation of BIT agreements with some European countries for instance, is thought to have shaken investors' confidence as current findings suggest worry over the integrity of the legal system in the presence of political corruption, should disputes with the government arise. This issue was raised perhaps because, outside of international trade agreements, the business - government disputes will be settled in the national courts and tribunals, and foreign investors fear for their investment security in the hands of national courts.

Participants also attributed the unchanging circumstances in the country to political corruption, which they said is undermining the effectiveness of economic reforms and the efficiency of institutions.

Generally, evidence in the findings suggests that political corruption de-incentivises good governance practices and bad governance thrives on political corruption. Secondly, they revealed that corruption is the component retarding the greater proportion of the political investment climate because it impinges upon the effectiveness of economic policies, retards the effectiveness of the legal system by eroding its integrity and impartiality, impedes social development, all of which are central to economic functionality and investor attraction. Specifically, it is the reason why good governance is scarce because where corruption resides, democracy, the rule of law and respect for human rights have no place.

Although not in the context of South Africa, the findings also support the assertions in literature that corruption in general, deters FDI (UNCTAD, 2013). The finding relates closely to numerous previous findings highlighted here. In particular, writers who draw our attention to the fact that some investors believe that 1) it is morally and ethically wrong to engage in corruption (Habib and Zurawicki, 2002; Daniels et. al., 2015); 2) those who suggest it stagnates economic development, thereby worsening socio-economic problems (Gupta, Davoodi and Aonso-Terme (2002); 3) those who believe it causes operational inefficiencies (Myint, 2000; Habib and Zurawicki, 2002); 4) those who assert that all forms of corruption have negative connotations on investment economic value of all kinds of investments (Myint, 2000; Wei, 2000) as it increases operational costs (Mauro, 1995; 1998) and weakens government institutions making them less transparent, irresponsible and disregards good governance practices

(Mauro, 1995, 1996; Myint, 2000; Wei, 2000); and 5) those who provide empirical evidence that corruption retards economic growth and hinders socio-economic progress, which impedes investment growth and development (La Porta et. al., 1999; Gray and Kaufmann, 1998; Mauro, 1998; Myint, 2000) all of which can cause potential investors to stay away from corrupt nations.

9.2.2 Government and institutional challenges

Investors are perturbed by gross inefficiency in government institutions resulting in poor service or no service delivery. The evidence suggests that the government departments meant to facilitate investors in their everyday operations are not doing so because in most cases, civil servants demand for bribes, therefore unnecessarily hindering businesses' operations and activities. Political corruption discussed above, can be linked to the inefficiency in government institutions because of the influence it can have on the attitudes of civil servants. Thus, it can be reasoned that civil servants' attitude and behaviour towards investors, particularly the demands for bribes, is learned from the attitude and behaviour of their seniors in the government. If we look back at the evidence in literature, again, it can be concluded that the actions of civil servants are impeding the attraction of FDI because these findings have confirmed that investors are discouraged by the actions of civil servants in South Africa. The findings strongly offer theoretical explanations as to why South Africa might be failing to reach the anticipated levels of FDI and why the FDI inflows have softened in the recent years (UNCTAD, 2013). However, the implication on policy and practice that this finding could have is that policies to facilitate the attractiveness of South Africa to investors are not supported practically by a network of individuals who are meant to facilitate the flow of FDI.

The problem of poor service delivery which is driven by the love of money appears to relate closely to socio-economic underdevelopment, which is a challenge facing the country. Evidence has shown that the need to amass wealth is fuelling petty corruption in government institutions, which in turn could be impinging on the socio-economic development. Corruption impacts on the flow of capital into the government coffers, which means the government, will not be able to raise funds needed for social development or the funds can easily be misappropriated. Recently, the OECD (2014) published that African countries, South Africa included, are losing the much needed capital due to illicit financial outflows due to the rise in corruption in most African countries. It appears that the government attitude in higher offices, specifically towards political corruption, also fuels the attitude in lower government offices, which demonstrates the connection between the findings.

Again, the finding has gone deeper in as far as enhancing our understanding of the factors of FDI determinants in South Africa. Previously, poor service in South African government institutions has been linked only to the governance and management of the general public funds, and not in the view of domestic or foreign investor (Atkinson, 2007; Booysen, 2007; Alexander, 2010). The current evidence suggests that poor service delivery in government institutions is a significant FDI determinant factor in South Africa. The implication to FDI that this study is drawing from this finding supports the empirical and theoretical studies reviewed in this study. For example, Blonigen (1997), Gilmore et al. (2003), Naude and Krugell (2003) and Ismail (2009) all shared evidence that shows a positive relationship between government institutions and FDI. They all argue that, despite the variable motivations of FDI in various countries, and despite the policy instruments adopted being significant in those locations; the importance of good policies made and managed by efficient and effective institutions should not be underestimated in FDI flows into Africa.

In conclusion, the evidence seems to suggest some disconcerting aspects that relate to poor governance, which appears to be driven by corruption and resulting in poor quality service. The impact of poor quality service to the business community is believed to be greater than the eye can see, and has the most evident impact on businesses, which clearly confirms previous assertions that state that factors of poor governance and corruption increases the costs of doing business (Drabek and Payne, 2002; Wei, 2000; Weiss, 2000). Wei (2000) cites, for instance, costs that come with corruption such as the lost time in investment value, which he insists impinge on investor confidence due to the increasing complexities of dealing with the government. Since the study did not include the question of governance to be able to make solid conclusions on the issue, it would be interesting to assess further, the factors of governance from the investors' perspective in future research.

The significance of this finding to the research lies in the fact that the finding also contributes to literature by showcasing a politically related challenge to business, which again, is unique to the South African banking sector. Therefore, strongly supports the thesis' overarching argument on the significance of focused research in African countries, in order to draw assumptions relevant to individual countries.

9.2.3 Regulatory Challenges

The major themes of this part of the analysis were centred on economic reforms such as the Black Economic Empowerment (BEE). The consensus view suggests that the BEE reforms are unfavourable to foreign investors because they are (1) discriminatory and (2) impractical in terms of operations and supporting infrastructures that enable businesses to meet their investment goals.

Intermediaries and foreign investors in particular, felt that BEE reforms are complicated, unfeasible and incompatible economic restructuring instruments that limit their freedom and flexibility, specifically, the mandates that are in relation to employment, security of investment and progress in general. They feel that the government is playing the discriminatory game, blaming them for ills to which they were not a party. Deliberations along this discussion seemed to point out that the policy uncertainty lingering in the business environment is also heightened by the fact that the government often targets foreign investors with policies and regulations for economic reform programs. Therefore, when the socio-economic situation is as disturbing as they all voiced, the feeling echoed is that they would be the first target should the government seek to alleviate national problems in the same manner as the BEE mandates. According to the analysis, the cancellation of major trade and investment agreements, which again, were seen by most investors as the backbone to their investment security, is also heightening investors' fears.

Findings also demonstrated that BEE is a hub for corruption as participants alleged that the government officials use it to enrich themselves whilst some foreign investors admit that they choose to circumvent it by paying bribes. Foreign investors also informed that the regulatory implications to them is either to comply with the policies then face the financial consequences attached to the compliance, or avoid compliance with the regulations and just bribe the policy monitors. Evidence suggests that some investors choose not to, and then pay bribes to monitoring agencies facilitated by the growth of corruption. The implication of such actions, both by the government officials and the businesses, is largely on the inability of the country to achieve the set economic goals, which to a large extent, suggest the unchanging socio-economic situation, and the enrichment of a few government officials. Then, in as far as failure to change the social circumstances is concerned, respondents felt that the failure to change the social and economic situation is the reason why the problem is culminating in the civil disturbances the country is currently experiencing. The civil disturbances, according to the analysis, may disturb government and policy continuity, which have been the backbone for investors. Just as suggested on previous findings, investors' anxieties and feelings of uncertainty that the study told, could perhaps explain the commonly cited unsatisfactory levels of FDI into South Africa (Fedderke and Luiz, 2008; Tuom, 2012, Wocke and Sing, 2013).

Essentially, the thread of political corruption can be said to be integral to the undermining of regulatory framework, resulting in the failure to achieve the intended economic and social goals. Basically, it can be argued that the impact of economic and social underdevelopment may negatively boomerang to investors, hence the connection between the themes political corruption, the regulatory and the socio-economic challenges.

In conclusion to this finding, it should be mentioned that this finding also gives advantage to the South Africa policy makers in terms of knowledge on what matters to FDI. Such addition to knowledge will enable them to see which policies, reforms or strategies are working for or against their superordinate goals, which was one of the primary objectives of this study (listed as objective 4 on the research framework in Chapter 1 figure 1. Thus, using insights from the findings to highlight areas requiring sprucing up, for the attraction and retention of investments.

9.2.4 Socio-economic challenges

Through data interrogations, the investigation of question 1 has shown that participants believe that the socio-economic challenges, such as poverty due to income disparities and high levels of unemployment that the country is experiencing, are factors critical to the generation of political challenges in South Africa. Initially, the findings have suggested that poverty, and indeed unemployment, diminishes the scope of operation and profitability thereby affecting the normal business cycle that attracts investors. Data further associate these two challenges with several anti-social behaviours such as crime and petty corruption rampant in South Africa. This finding confirms previous findings on the problem of poverty and unemployment in general, but data went further to contribute additional evidence that suggests the two have a detrimental impact on investors operating in South Africa, particularly given how they intertwine with political corruption, regulatory and institutional challenges.

As testified by the data, it was also apparent that the socio-economic statuses are feared to fuel political instability in the form of civil strikes, riots or demonstration, and recent civil unrest manifesting through xenophobic attacks on foreigners, paints clearly the picture that data also paints. Further, the findings have suggested that fears about political and economic instability come from the understanding that as long as the socio-economic statuses of the majority of the South African citizens remains unchanging the more likely it is that people might mobilize to rebel against the government, which again, is more likely to affect FDI-related economic policies. For instance, evidence has suggested that participants believe that the people of South Africa may aggressively challenge the government because of the income inequalities. It could be possible that investors may not only suffer distractions or destructions, but may face the consequences of policy changes necessitated by political unrest. Investors thrive in a stable economic and political climate, which, since the abolishment of apartheid, the government and its continuity has been able to afford them. However, as the findings suggests, continuity seems uncertain in the eyes of the participants. To a larger extent, the unpredictable political and policy environment due to the socio-economic challenges that are at the centre of the country's economic and political spheres is the cause of the feelings of anxiety and uncertainty that foreign investors in particular exhibited. It appears as if the levels of strikes and riots often experienced now, and even the rate and levels of crime and corruption that South Africa is renowned for, exacerbates the fear in investors.

The findings have demonstrated why investors are anxious and worried about the future directions of politics, policy frameworks and their investments in South Africa, and can provide explanations to previous studies findings that South Africa's level of FDI is lower than its potential (Wocke and Sing, 2013) and the type is not very desirable (Fedderke and Simkins, 2012).

The findings demonstrate that both local and foreign investors are fearful of the socio-economic situation, specifically poverty and income inequality in terms of: (1) their scope of operation/profitability and the most desired factor, economic growth (2) stability of the economic reforms/investment policies and (3) economic and political stability of the investment climate. In addition, the finding has expanded our knowledge into the socio-economic sphere and the interconnected issues such as agenda for growth and development and agenda for FDI attraction. Furthermore, this finding has demonstrated for the first time that socio-economic challenges in South Africa are significant factors of FDIs. This new insight suggests that the study has made a significant contribution to knowledge in the field of FDI in South Africa, which would help policy makers make better choices for the economic policy mix. Whilst still there, it makes sense to suggest that the lack of knowledge on what investors think and what really determines the attraction of investors in South Africa have implications on policy and practice. The evidence suggests that the government is not accurately or sufficiently informed on the actual challenges facing investors, which further provide explanations to previous studies that questioned why South Africa is not receiving as much FDI despite macroeconomic revamps (Wocke and Sing, 2013). To that end, the study also provides evidence necessary for arguing that the government might be adamantly pursuing economic and social development goals using policies, strategies and reforms that antagonise each other.

Most significantly, the findings support the assumed vicious circle framework presented as Figure 16 later on, which shows how intertwined the government agendas are, expanding our understanding of how the key social, economic and political agendas demands for conflicting policies that hinders the attainment individual political, social or economic agenda's goals. As explained in the context of

Chapter 2, South Africa's agenda to redress the historical socio-economic circumstances is mainly underpinned by structural and economic reforms, and these seem to impinge on the successful operations of investors as findings suggest. It can be assumed that the impact of economic policies and reforms on investment operations could be discouraging FDI inflows, which in turn, impacts negatively on the economy in terms of growth and development. South Africa, just like most other developing countries, is in need of external injections of capital to be able to sustain its social and economic development projects, hence the assumed vicious cycle of the political, social and economic statuses that this study observes.

In this section, theme by theme summaries on key findings that were briefly presented in the preceding chapters have been presented, highlighting the inferences and conclusions the study is drawing. It is now necessary to tie them together, whilst also demonstrating the main arguments of the study in terms of its uniqueness and how it contributes and fits into the body of knowledge, as well as apply to South Africa and related contexts.

9.3 Concluding remarks on findings

Regarding the key findings, it is very important at this juncture, to remind the reader about the characteristics and nature of the conclusions that this study draws and how they are relating with the existing body of literature.

As outlined in the analytical framework presented in Chapter 7, the characteristics that constitute the distinctive nature of the political investment climate of the South African banking sector includes features that the study identified as the aspects perceived as sources of political challenges or risks. Thus, 1) the groups or circumstances through which political challenges or risks are generated or perpetuated, 2) the perceived political challenges or risk events observable through the eyes of the participants, 3) the actual political challenges or risks with negative impact on investors, and finally, 4) the perceived consequences that are at the centre of participants worry. In the light of these identified aspects in findings, the research conclusions and implications are proposed and interpreted in accordance with the Systemic, Procedural, and Catastrophic political risk framework proposed by Daniels et al., (2015).

In the context of South Africa, it was important to undertake this study in order to unearth the root cause of the complexities of the political investment climate in order to add to knowledge, intrinsic factors impinging on the operations of investors. This is because, in the existing body of knowledge on the determinants of investment inflows, it was discovered that there are some gaps in research that are limiting our understanding, not only on the factors of the political investment climate which this study pursues further, but a myriad of other FDI determinants that are specific to individual countries. Such gaps in research, it is assumed, deprive the research audience of fundamental concepts necessary for comprehending and conceptualising fully, the FDI determinants necessary for the attraction of FDI inflows.

Consequently, these sorts of limitations in knowledge might also be detrimental to the growth and development of South Africa, whose economy, just like other developing economies, is thought to depend on external sources of capital such as foreign investments (UNCTAD, 2013). As discussed out rightly in Chapter 4, many international organisations such as IMF, UNCTAD, NEPAD and others, credit FDI as a reliable source of capital and for the assumed roles that it plays in the growth and development of economic spheres. The ability of FDI to stir positively, the economies of developing countries, is the reason why many researchers have placed great emphasis on the need to understand better the conditions that attract FDI in different locations. Challenges of the political economy for example, are some of the numerous impediments associated with hindering FDI flows into African countries as literature review demonstrated. Consequently, the slowness of FDI inflows retards economic growth and socio-economic development, which most African countries requires, given their lack of internal financial capacity to support their own growth and development projects (NEPAD, 2014. This study confirms the postulation that literature lacks detail, depth and specificity in terms of country specific factors and conditions that affect investors because the outcome from this study, demonstrates that South Africa has its own unique political investment climate challenges. This, most importantly, brings into close perspective, new insights into the political investment climate of South Africa, which have not been put to light lately. Furthermore, although not in the context of South Africa, the study also supports various theories in literature, on the nature of political challenges and risks established in various contexts. Previous research in the context of South Africa, which closely relates to the vein of literature that this study contributes to, was one by Simon (1984). Simon's research however, was done before the change of government in 1996. The nature of political challenges and risks that characterised South Africa during the apartheid era was completely different as the environmental factors that contribute to the generation of political challenges and risks have evolved. In his research, Simon (1984) did not find or suggest that socio-economic challenges were the force behind the formation of political challenges and risks in South Africa. Busse and Hefeker (2007) incorporated various countries, including South Africa, in their analysis of the political challenges affecting FDI. Although the present study agrees with theirs, socio-economic factors for example, trigger social dissatisfaction leading to political instabilities, the conclusion that factors such as religious tensions, that stems from a domination of society by a single religion, external conflict, and military interventions into political leadership, are significant political challenges and risk elements in the sample they studied, seems far-fetched in the context of South Africa. This is because the finding does not specify whether or not these factors actually affect South Africa, as the authors do not provide detail further than the confirmation that they are significant political challenges. The propositions made by Busse and Hefeker (2007) puts into question, the relevance of their cross countries survey, in a South African context, because research done in context of South Africa does not confirm this finding. This shows that, besides the fact that countries' forces and sources of political challenges and risks differ, even within the same country, the forces and sources evolves, which means the identification of political challenges to investors requires consistent efforts in research.

The finding about the socio-economic challenges, and how the link with the political investment climate, has demonstrated, for the first time, that socio-economic challenges in South Africa are significant factors of FDIs, by elucidating some intrinsic factors that previous research works have not brought forth, particularly that the government is likely to demand more from the foreign investors due to increasing pressure to get socio-economic balance, by imposing policies that tend to restrict the operations of foreign investors. The nature of this political investment climate challenge appears to be multifaceted. This is because the forces driving the challenges seem to emanate from the national social and economic environments seen through the levels of unemployment, poverty and income disparities. These challenges are seen as the triggers of social and civil unrest defining the business environment of South Africa. Further analysis revealed that investors associate the social challenges with political instabilities, which results from pressure by the national socio-economic environments to alleviate the socio-economic challenges. There appears to be the fear of policy changes, which signals the risk of nationalisation, manifesting in the revocation of major Bilateral Investment Treaty (BIT) by the South African government according to the South Africa Foreign Policy Initiative, SAFPI (2013).

The study unveiled another significant FDI determinant factor in South Africa, which seems to be manifesting as poor governance, which appears to be facilitated by rampant corruption, and is resulting in poor quality service to business and the citizens. Together these factors are causing increases in the costs of doing business, for instance, the cost that comes with corruption such as the lost time in investment value and the declining investor confidence due to the increasing complexities of dealing with the government.

On the regulatory framework, whilst previous works have compellingly showed that policies such as the BEE are failing to change the circumstances they are meant to address, this study has gone further to suggest that such policies are a cause of business anxieties and uncertainties in the business environment. In as far as failure to change the social circumstances is concerned; the chances are that the situation might culminate in political and economic instabilities, which can undermine government continuity. Generally, government continuity has been the backbone of investors because of economic policy continuity. Political corruption: this finding also sheds light on to the determinants of FDIs in South Africa suggesting the weakening of the legal judicial system with a detrimental impact onto investors' confidence. Political corruption seems to be the thread intertwining the findings, forming a web of very complex and interrelated political challenges seen through the eyes of the research participants.

Overall, the findings of this study shows that there are some significant linkages between investments and the 1) socio-economic challenges, 2) political corruption, 3) regulatory and 4) institutional challenges. The findings are new in the context of South Africa, particularly where they have demonstrated that the challenges can culminate in political challenges and therefore are a cause of concern to businesses. Hitherto in this study, this linkage has not been established before, and more so, not through the eyes of the investors in the banking sector. Literature explored for the purpose of this study supports this conclusion because, amongst the literature in that body of knowledge, none revealed the political challenges in the investment climate of South Africa in a manner that this research has done. Thus, there has not been any study that was found to establish and reveal feelings of apprehension over the challenges that this study reveals, on the operations, growth and expansion, policy stability, government continuity and many other political challenges to investors that are illuminated in this study. The study concludes, cementing the postulations on lack of focused research in African contexts, thus, the lack of in-depth knowledge on the factors and conditions that affect investors may be due to the lack of research that focuses specifically on identified factors, countries or industries, which is caused by the multiple factor, cross-country and industry orientations in existing research.

The findings in this study have been closely matched with the political risks concepts discussed in Chapter 5. Their implications in the light of theory and the context of South Africa will be elaborated on in up-coming sections.

In as far as the academic endeavour to contribute towards the bigger and important phenomena of FDI determinants in various locations, and specifically the understanding of the complex nature of political investment climate and its associated risks and challenges to investments, this study contributes incrementally to the current corpus of knowledge on political investment climate in South Africa and related context, as it tries to shed light on the political factors that are obstructing the operations of investors and may also be impeding the flow of FDI to, not only South Africa but other African locations.

Furthermore, it is envisaged that the study might open up more research perceptions on related contexts in terms of how similar to this, future research on the FDI determinants phenomena can be approached, given the postulation this study makes regarding the heterogeneity of African business environments.

The study was gap based, to facilitate a quick and better comprehension of its uniqueness in respect of contributions to knowledge; the gaps that the study identified, their limitations and how the new knowledge attempts to address them are mapped in a matrix presented below. The matrix also helps to demonstrate explicitly why the current findings are unique, by exposing how and why they confirm that existing literature lacks the details which this study has attempted to provide.

9.3.1 Gaps and limitations to knowledge

Table 12: Gaps in knowledge mapped with the new knowledge

List of gaps in knowledge	Limitations on knowledge	New knowledge
Gaps in literature/theory	Lacking depth in terms of individual factors that are impinging on the investors' operations. Lacking theoretical and conceptual base from which to conceptualise and theorise the political factors and challenges in facing investors in South Africa	A framework of the political risk factors and challenges summarised in figure 15 below, broadening our understanding on political factors and challenges unique to South Africa
Methodology oversights	Limitations to depth owing to commonly used methodological approaches	A rarely used methodology and methods for addressing the gaps in knowledge in field of FDI determinants. An analytical framework developed to guide the collection and analysis of data
gaps in policy/practice	Lacking theoretical and conceptual foundations from which to suggest relevant policy and practice for the improvement of political investment climate	Adding to knowledge, literature necessary for policy formulation in relation with the improvement of investment climate for investment inflows
gaps in contexts	Lacking specificity and depth in terms of individual African countries	Advancing knowledge on individual African countries, hitherto unavailable in existing literature, due to focusing on Africa as one huge country despite the heterogeneity of individual countries' backgrounds and business climates

Source: Own research.

The summary table above makes it easier to underscore clearly, the research contributions in terms of the theoretical, policy and methodological implications, as well as in terms of pointing out the issues that this investigation brought to light, but were not within its scope to address. As shown, the study unveiled these three key gaps in knowledge, which, generally speaking, illustrates the study's attempt to contribute to knowledge. In particular, the fact that Knowledge on the determinants of FDI in Africa as a whole, South Africa included, consists mainly of literature born from a multitude of econometric based research, that are concerned with assessing whether or not, a variety of computed FDI variants have quantifiable impact on FDI inflows into multiple African countries and industries. Existing knowledge however, lacks specificity in as far as further evaluations on the robust FDI factors in individual African locations are concerned, because the methodological approach and the focus of attention disregards the heterogeneity of business environment in different African countries. This oversight in research casts a shadow of doubt on the relevance of the current insights into the factors that are intrinsic to specific countries, hence why this study focused on South Africa and the political investment climate as the focal phenomenon.

We have also seen that these gaps require additional insights from the lived experiences of stakeholders in the South African banks, hence the purpose of this study, which set out to investigate the experiences and perspectives of investors on the political investment climate specific to the South African banking sector.

The new knowledge which the research surfaces consist therefore of; the deeper examination of the political factors and challenges in South Africa, which, as just re-emphasised above, has not been adequately considered in the current corpus of knowledge, as researchers paid attention, mostly on assessing the impact of a selection of FDI determinant factors rather than the nature of the individual factors such as political factors and challenges.

9.3.2 South Africa's political climate factors in comparisons with the BRIC economies

It can be argued that the political challenges to investors that this study has unveiled make the South African political investment climate unique, which suggests that its impact on its FDI inflows might be different if compared to other countries. For example, South Africa is said to be one of the emerging markets because of its large population, developed infrastructure and financial markets and its potential for economic growth. However, its inward FDI is the least compared to FDI flows into other emerging markets such as those within the BRICS group of economies (UNCTAD, 2012).

Drawing empirical evidence from literature, it can be argued that countries within the BRICS group of economies presents diverse FDI determinants, and this reflects in their FDI patterns. This study argues that countries within the BRICS for example, might be described as emerging markets with quite similar economic characteristics, but they all present very different challenges that impact differently to their FDI attractiveness. For instance, looking at the UNCTAD (2012) report on FDI inflows into the BRICS, South Africa receives the least FDI, and above all, is ranked 26th on the global FDI inflows in 2012 whilst Brazil, Russia, India and China are all within the top 10. The difference is even more alarming when the FDI inflow statistics are closely analysed. In 2012 for example, whilst South Africa was the biggest FDI recipient in Africa, it only received FDI worth 1.6 billion whilst the next least recipient in the BRICS (India) received more than 24 billion. In that light, it is clear that South Africa might have its own challenges that discourage FDI inflows. Therefore, the fact that it receives the largest share of FDI when compared with other African countries should not blinker the need for further research on the determinants of FDI in South Africa. As can be seen through the current research findings, the empirical evidence suggests, presumably, the diminishing locational advantages of South Africa to FDI, which might be reasons why South Africa lags behind other BRICS countries.

Based on the conclusions this study draws from the findings, the following sections will demonstrate how the research findings make a contribution to knowledge as anticipated in the Research Framework, Contributions pillar in Chapter 1(figure 1).

9.4 Contributions to theory

The identified gaps in knowledge included lack of specificity, depth and detail on the factors or conditions that influence the flows of FDI in African locations, to which the present study responded by focusing on the South African banking sector to investigate the political investment climate in order to not only find out but dissect the political challenges to reveal their nature and characteristics in respect of investment operations and inflows.

The study identified several political aspects that are challenging the operations of investors in the banking sector of South Africa, which might also hinder FDI inflows. Drawing from data, a framework of the political factors and challenges is proposed and presented below, demonstrating how they relate with the wider political risks literature. The framework represents political challenges that are unique to South Africa, but whilst enriching literature specific to South Africa, the framework also classifies the political challenges unique to South Africa in an attempt to contextualise the findings vis-à-vis other studies in the related corpus of knowledge. The study therefore extends perspectives on factors of FDI regarding the political investment climate, by demonstrating that factors such as those of the socio-economic nature, can stir up political factors and challenges that impinges directly on business operations, as strongly suggested by various empirical studies (Simon, 1984; Busse and Hefeker, 2007; Daniels et. al., 2013). This framework largely satisfies the overarching research aim, which is to give specific depth and detail to the factors that influences the operations or flow of FDI by identifying and dissecting the political investment climate challenges facing investors in the banking sector of South Africa.

The framework of political challenges and risks in the South African banking industry

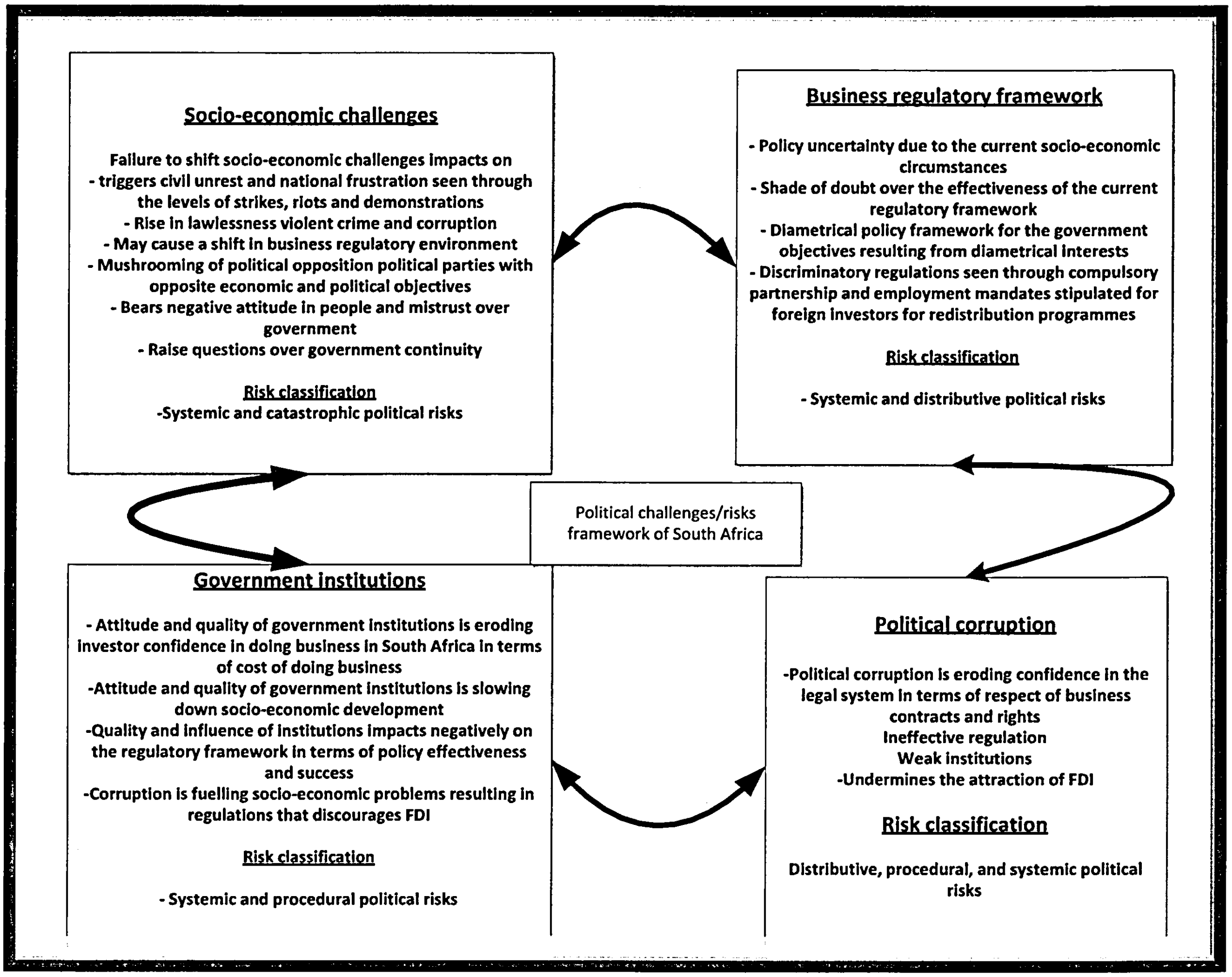

Figure 15: Linkages between the findings and the political challenges unique to the South African banking sector

Author (2015)

This framework summarises, and most importantly, demonstrates visually, 1) the new knowledge that is contributing to our understanding of the political investment climate of South Africa, 2) the relationship between the findings as explained later in the study implications section and 3) the types of political challenges the research study proposes (figure 17 and table 9). The uniqueness of this framework lies in the fact that, it links the empirical analysis to existing theories thereby offering some in-depth insights on the factors significant to investors with the regards to the political investment climate in South Africa. In the literature that this study reviewed, only Simon (1984) has attempted to understand the political factors in South Africa in a similar way. However, besides the fact that Simon does not try to decipher his research finding by classification, his study was done prior to the new South Africa.

In the light of the theoretical contributions, it can be re-emphasised that this study has successfully contributed to the body of knowledge on the political investment climate of South Africa by informing on the political challenges that are distinctively unique to the South African banking sector, and that there are more chances that the study has added to the body of literature on the determinants of FDI, insights that may deepen our understanding on the wider political investment climate of FDI in South Africa. This is because the new insights have been interpreted in a way that provides the key stakeholders to the research, with a better understanding of how the political challenges specific to South Africa are affecting current investors and why they can constitute significant factors of FDI inflows.

Also, this study contributes to literature on the political factors and challenges in the political investment climate of South Africa by reinforcing the conceptual foundations significant for the understanding of political challenges and risk factors, which investors in the banking sector encounter in South Africa. As the study dissects the political challenges, exposing their nature in terms of the conditions, actions and actors involved in the generation and perpetuation of political challenges, it has successfully painted an in-depth picture of the political investment climate of the South African banking sector, which is lacking in the body of knowledge. The research therefore provides a critical understanding of the political challenges facing the current investors in the banking sector, adding to knowledge, significant insights on political investment climate that are likely to discourage FDI inflows into SA.

Further, the study advances knowledge on the theoretical frameworks on the determinants of FDI as it contributes to the perspectives of political investment climate that broadens our understanding on political factors in South Africa, specifically, the complex political aspects that seem to matter most and are significantly important to FDI in Africa and South Africa specifically. Thus, the new knowledge gained from the research could provide key stakeholders to the research with a better understanding of how the political factors specific to South Africa are affecting current investors and why they are significant insights to understanding the determinants of FDI inflows. However, this contribution remains theoretical until it is empirically proven that the factors revealed by this study also matters to foreign investors' locational decisions in South Africa or extends to industrial sectors other than the banking sector, a line of inquiry that the researcher suggests for future research.

Also, besides informing on the political challenges that are distinctively unique to South Africa, this study attempts to encourage similar research efforts and approaches in respect of other African countries. This is because such an approach has helped to deepen the current understanding of the nature of the South African political investment climate, and that could also be helpful in comprehending better, their political business environments. For instance, the new evidence presented and discussed in Chapter 8 demonstrated that South Africa is different and therefore presents to investors unique political factors which otherwise would have remained unknown due to the traditional methodological approaches and the conventional focus of attention in research. Therefore, the study attempted to open interested researchers' eyes to the significance of more direct and focused research on the factors of investment climate necessary for the improvement of FDI inflows in Africa. In that respect, the study highlights the importance of advancing knowledge on individual African countries, hitherto unavailable in existing literature, due to focusing on Africa as one huge country despite the heterogeneity of individual countries' backgrounds and business climates. This theoretical contribution also helps to point out, as will be suggested later on, areas that future research may consider.

9.5 Implications of the study

With regards to what the current research findings might mean to South Africa, the study draws attention to the theoretical and policy implications that the challenges revealed may have upon the country's political investment climate of foreign investors in South Africa, and therefore informs policy makers who may be seeking to enhance the investment climate in South Africa or related contexts.

9.5.1 Theoretical implications to the field of knowledge

The new knowledge seems to imply that the obstacles housed in the overarching themes, may also discourage new FDI inflows as they corroborate numerous previous findings, as shall be highlighted in this section. However, this is a theoretical assumption that may be a fruitful area for further work in order to examine more closely the links between the challenges unveiled by this project and FDI attractiveness of South Africa. A close look at the relationship between the major findings is necessary in order to demonstrate the theoretical implications the study suggests.

9.5.1.1 Theoretical implications in the light of the existing knowledge

It can be said that the interaction of the various environments in the formation, and later the impact of political factors and challenges on investors in South Africa is significant in drawing conclusions for the framework of political factors and challenges in South Africa, because whilst they appear to be closely interconnected, they also appear to have close influence on the emergence, growth and impact of each other. The conceptual framework proposed in Chapter 5 showed the various aspects that constitute political factors and challenges. Here, the research discloses their evolution and interaction with each other, and with the operating investment climate of FDI in South Africa, in an attempt to expose the impact on its FDI attractiveness. According to Simon (1984) the factors involved in the formation of political challenges and risks that face international enterprises may include the current and future government, as well as other national environments, which in the case of South Africa, emerged as the socio-economic environment, particularly the social welfare of the majority of the South Africans, and how the situation impacts on the regulatory environment. The interconnection of the two environments for example, entails the compatibility of policies for socio-economic development aspirations and the FDI attraction policies, as well as their sustenance in the face of each other; the importance of each one of them to the government and the society; as well as the quality and capacity of the government and institutions in working towards a concerted goal of attracting and retaining FDI in South Africa. These factors portray a very complex nature of the political economy of South Africa, which is responsible for ensuring the harmonious interaction of social, economic and political spheres of a country.

The complexity of the South African political challenges to foreign investors seems to lie in the fact that the environments and aspects that the study identified as political factors appears to form a vicious circle of interconnected features, comprising national objectives for social, political and economic progress, as well as, to a large extent, individual agendas. These environments and associated aspects driving political risks and challenges appear to be problematic in the political economy of South Africa, because they seem to encroach in the ways of each other, thereby impeding the successful achievement of one or all the national agendas. This study concludes that it is the backdrop of failure to satisfy the needs and expectations of the various stakeholders that give rise to the political factors identified in the analysis.

To demonstrate this point of view, and as mentioned earlier, below is a model of the vicious cycle of events that seems to be responsible for the formation of political factors observed in South Africa, which both the concepts in current knowledge and the present findings suggests.

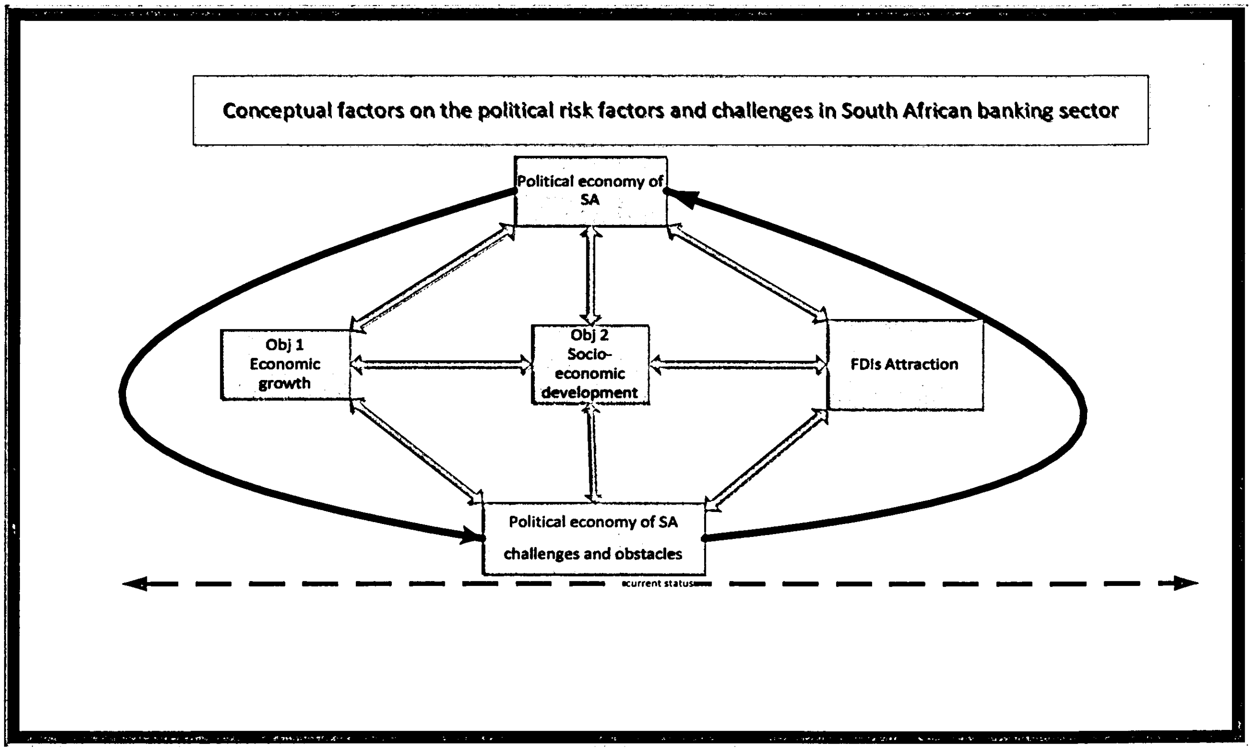

Figure 16: The vicious cycle of the political economy of FDI in South Africa

Author (2014)

Technically, the model represents the conceived status quo of the South African political economy in the light of the economic, social and political agendas. The bold outer arrows demonstrates the perceived vicious cycle of policy making behind the backdrop of the agendas that are presented by diametrically opposing arrows that demonstrates the divergent policy demands of the national agendas. The researcher applied perceptions drawn from literature and those from the current study, to shows that South Africa has 3 overarching political, social and economic agendas: all of which demand special attention through policies and reforms; and concerted actions, attitudes and behaviours of the government, the businesses and the citizens of South Africa.

Practically, the policy demands to meet these perceived agendas are diametrically opposed and the attitudes, behaviours and actions of various stakeholders seem not to tally with the national agendas either, hence the vicious cycle as the diagram illustrates. These aspects, seem to be at the core for the rise in political factors uncovered by this study, particularly when the government seems to be failing to achieve the set national goals such as alleviation of socio-economic challenges and failure to satisfy the needs or meet the expectations of the various stakeholders (Fedderke and Simkins, 2012; Wocke and Sing, 2013).

This assumption is supported in literature, for example, in a study to understand the root causes of political risks, Simon (1984) states that, for an aspect to constitute a political challenge or risk, there are various underlying components which may include direct and indirect national and governmental environments, which in actual sense, comprises the nation's and government's social, political and economic objectives. Similarly, in this study, a complex web of political investment climate challenges, have been found to be emerging from both governmental and national environments, and driving forces being the national and government objective for the economy and so forth.

The impact of the government and national goals on each other and subsequently, the relationship they have in influencing the formation and impact of political factors, is fundamental in explaining the nature of political factors uncovered by the present inquiry. Firstly, there seems to be a strong relationship between the challenges emanating from the socio-economic environment with those emanating from the government institutions and the regulatory environment. In fact, it was interesting to discover that, although FDI inflows into South Africa has been exceeding most of its African counterparts even though the socio-economic problems have always characterised the country for decades, socio-economic challenges have deep-rooted connections with the political risks factors and challenges that are shaking investors' confidence in South Africa. The most likely explanation to this relationship may be derived from studies by Tarzi (2005); Haftel (2006); Busse and Heffeker (2005, 2007); Jensen (2008); Desbordes (2010) who on separate occasions, noted that socio-economic problems may trigger social instabilities that may in turn invoke the anticipation for political instability in foreign investors.

There is one possible explanation as to why the anticipation of political instability shakes investors' confidence. Most probably, the likelihood that political instability may destabilize government policies on FDI or destabilise the continuity of a government, which may then mean changes in economic policy due to shifts in government objectives and aspirations, assumptions that are also widely acknowledged in literature (Busse and Heffeker, 2007; Tarzi, 2005) which the present study has also reiterated in Chapter 8.

Additionally, as the analysis in this study illuminated, the impact of the political corruption on the legal, regulatory, institutions and socio-economic environments appears to be inherent too. There appears to be a symbiotic relationship between these aspects, because for example, for corruption to thrive, the institutions and the legal environment have to be weak enough, according to Wei (2000); UNCTAD (2008). The consequences of weak legal environment and ineffective institutions, are thought to then, in most cases, cripple the arms of law, impede the effectiveness of the regulatory environment, which then results in failure of policies and regulations, failure of government to implement new policies, ineptitude of government institutions in facilitating socio-economic development projects and FDI growth (UNCTAD, 2010).

This finding supported what many previous researchers noted in different countries. For example, Wei (2000) wrote that corruption can be an FDI push away factor, especially when a government appears to prescribe unfriendly policies and regulations on FDI in a bid to create a corruption conducive environment. In agreement, researchers such as Busse and Heffeker (2005); Dutta and Roy (2011); Barthels et al., (2011) argue that corruption hampers the effectiveness of government institutions, is responsible for the negative attitude of the government towards foreign investors, tarnishes the relationship between the foreign investors and the government, erodes public officials responsiveness and responsibility over social welfare issues, and eliminates the effectiveness of the economic policies and strategies. As a consequence of such aspects, the present investigation confirms that investors face a myriad of politically related challenges, that are at the centre of increased cost of doing business and policy uncertainties crippling their progress and likely to hinder FDI inflows.

In a nutshell, the relationship between the findings, explains why the nature of political factors and challenges generates into a very complex web of aspects that require in-depth analysis in individual countries, in order to expose the intrinsic factors unique to that individual country.

Next, the study proposes a framework of the political challenges and/or risks criterion for the political challenges discovered in the South African banking sector. This is necessary because, unlike existing research that was concerned about assessing the impact of political challenges or risks on a selection of FDI determinant variables in various countries, this study aimed, not only to identify the political challenges and risks, but also to go deeper into exposing the multiple layers and characteristics of political challenges and risks, in order to deepen our understanding of the political investment climate in South Africa. Thus, the analysis unveiled compelling evidence on the actual and perceived political factors and challenges, which the study links to political risk classes proposed to help deepen the understanding of the political challenges and risks the current investigation reveals.

9.5.1.2 The extrapolation of political factors and challenges unique to South Africa

The analysis of interview data suggests that South Africa presents both direct and indirect political factors and challenges to investors that are embedded in the thick layers of the political risk framework that this study proposes in an attempt to apply the findings in the context of South Africa. Daniels et al., (2015) provides a relevant criterion for classifying the political risks, which comprises of political risks that are regarded as systemic, procedural, distributive and catastrophic in nature, which the study finds useful for dissecting the nature of political risks unique to South Africa, and for the purpose of appropriately locating this study within a relevant literature domain.

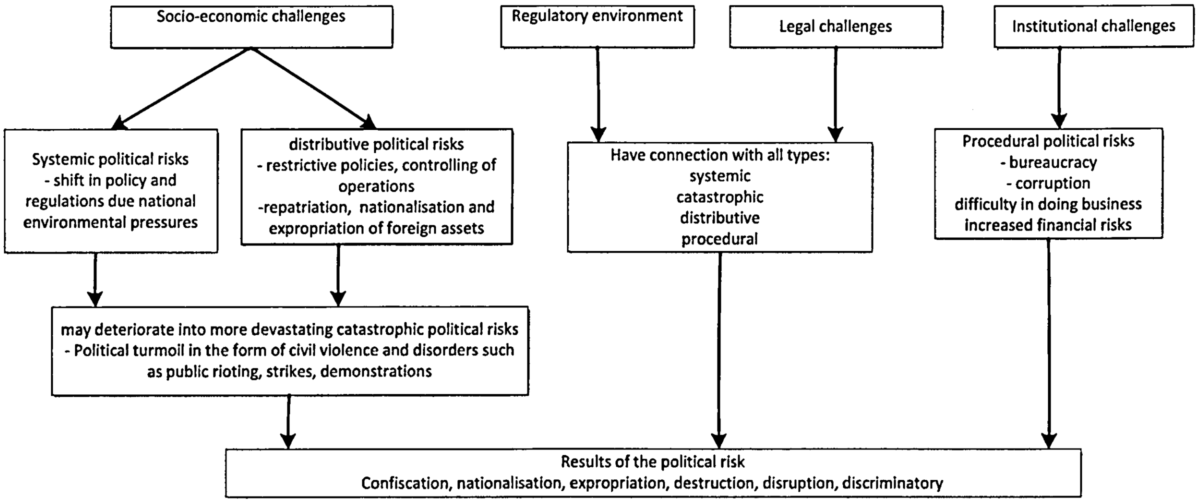

Figure 17: Proposed classes of political challenges and risks identified in the South African banking sector

Author: 2015 (concepts on political risks borrowed from Daniels et. al (2015)

The above diagram maps out the research findings with the proposed political risks and challenges in a bid to fit the research findings into the wider political risks and challenges to FDI theoretical frameworks. However, before ascribing meaning to the proposed risk classification for the political challenges and risks framework of South Africa, it is necessary to illustrate how the findings fit appropriately with the political risk criterion proposed above. To demonstrate that, a matrix evidencing the conclusions that the study draws in the light of the classes of political risks against the political challenges discovered in South Africa is presented next.

Table 13: Evidencing applicability of findings to the context of South Africa

Finding	Associated risk type	Causes and Evidence from analysis
socio-economic challenges	**Systemic political risks,** which can be changes in government, policies or a current government	Due to forces to alleviate socio-economic problems Results in discriminatory policies and investment restriction Policy uncertainties
	Distributive political risks, which can be due to changes in profit distribution policies. May result in Confiscation, expropriation and nationalisation of foreign assets	Restrictive reforms on hiring demands for local ownership such as BEE policy framework
	Catastrophic political risks, which is the extreme level of political risk. Deterioration in socio-economic conditions in South Africa may result in catastrophic political risks. May result in destruction and disruption of businesses, property and income losses	Although unlikely to erupt into catastrophic risks, catastrophic risks are evidenced by public rioting and demonstrations Civil disorders, violent crime, public demonstrations and rioting
Regulatory and legal environment challenges	Most risk type are applicable	Discriminatory policies such as BEE Operating restrictive reforms political influence on legal system political corruption Cancellation of international trade agreements
Institutional challenges	Mostly **procedural political risks, although systemic and distributive political risks** seem to also have some connections with the government institutions **Procedural political risks** occurs due to inefficiency in public institutions	levels political corruption levels of bureaucracy poor governance in government institutions

Author: 2014 (concepts on political risks adopted from Daniels et. al (2015)

Technically, the socio-economic challenges uncovered in South Africa appear to relate more with the systemic and distributive political risks. Literature demonstrated that the challenges of socio-economic environment may cause the political climate to deteriorate to catastrophic political risks (Daniels et al., 2015) which again, appears to be confirmed by the current study.

With regards to the interpretation of the above proposition, Li (2009) and Desbordes (2010) for example, argue that when a government interferes with foreign business transactions or cause changes of contractual agreements or even results in partial or total expropriation, foreign investors encounter systemic political risks in that country. As was explained in the literature review chapter, systemic political risks occur when the inherited challenges facing the country become inherent to the entire economy rather than the banking sector only. Systemic risks, which are thought to arise when government policies and regulations change due to pressure to alleviate national challenges, shifts in government objectives or a complete change in government structures, appears to be inevitable in the face of continuing socio-economic troubles that seems to evoke widespread civil unrest due to the unchanging socio-economic situation in South Africa. Literature reviews demonstrated how civil dissatisfaction may then compel the government to changes economic policies or to some extent, force out the current government.

Given the evidence from the current analysis, it seems reasonable to conclude that, South Africa's historical socio-economic inequalities, which arose from the separate development of races (Simon, 1984) for instance, appears to be the basis of the systemic political challenges and risks identified in South Africa. Thus, evidence from the analysis suggested that some economic reforms such as the Black Economic Empowerment (BEE) policy, that targets foreign investments as instruments for addressing the economic imbalances of yesteryear, are enacted in response to the socio-economic challenges. According to the Department of Trade and Investments (2004) the BEE policy framework compels businesses classified as foreign investors, to partner with local black people, in an endeavour to balance economic inequalities that resulted from years of racial discrimination in South Africa. In view of the BEE reform framework, evidence from the analysis revealed a wide range of challenges facing investors resulting from the restrictive mandates such as the demand for local ownership for example.

Socio-economic challenges emerged as the core to the uncertainties and erosion of confidence in the business climate resulting from the unpredictability of the policy and regulatory environment, fuelled by an inability to predict how the government will react to national interests, specifically the socio-economic problems. Also, the civil unrest, manifesting in the widespread public strikes, riots and demonstrations, may be evidence enough to suggest that systemic political risks are inevitable. The risks associated with systemic political risks such as nationalisation may not be ignored in South Africa, particularly when government actions are suggestive of a shift in policy preferences in order to react to the societal demands for equality, which UNCTAD (2014) regarded as a threat to the assets of foreign investors. According to the UNCTAD report, South Africa cancelled some investment treaties at the centre of foreign investments with some European Countries, and reportedly expected to replace the Bilateral Investment Treaties it originally committed to in 1994 (UNCTAD, 2014). Already, speculations are that investors are no longer guaranteed security of tenure for their investments, leaving them to operate in a potentially volatile policy and regulatory environment, where disputes will be dealt with in the national tribunal courts and not international courts as before.

Similarly, the regulatory and legal environment challenges, owing to political corruption and influence for example, appear to have strong connections with most types of political risks submitted by Daniel et al., (2015) and supported by researchers such as Li (2009); Li (2009) and Desbordes (2010) for instance.

To take the legal environment for example, evidence from the analysis demonstrated that investors are concerned about the protection of their contracts and tenure in a country that has a political influence over the legal framework and courts, in particular, when politically powerful people seem to escape the jaws of the law when they are involved in corrupt activities. On the current government action, which saw the country revoking some international trade agreements, which according to foreign investors, were a backbone supporting and protecting FDI in South Africa, it is quite reasonable to think of distributive political risks in South Africa, especially as the evidence casted a shadow of doubt on the robustness of the legal system, whilst the cancellation of the international trade treaties means disputes between the government and foreign investors will be dealt with in national courts. Daniels et al., (2015) argues that, when governments feel that they are not gaining more from FDI deals, they may choose to re-evaluate FDI contractual agreements particularly those concerned with the distribution of wealth, so that they may benefit more from FDI. Accordingly, this appears to echo the situation of South Africa, where the government has always had reforms that seek to gain more from foreign enterprises, a move that to a greater extent has been compelled by the historical inequalities in the country. From this viewpoint, it seems as if the government is trying to get more from foreign investors so as to relieve the socio-economic pressures eminent in the history of South Africa.

Institutional challenges seem to have close connection with the procedural political risks most. For example, the levels of bureaucracy and poor service delivery which the analysis uncovered, and were reportedly necessitated by members of the civil services, in order to create grounds for perpetuating and achieving personal gains. The demand for kickbacks in the government institutions is perceived absolutely negatively in this study. For example, demands for bribes by policy monitors in the banking sector, whereby government officials monitor the operations investors as well as their obliging with policies, seem to strengthen the connection that government institutions in South Africa have with procedural risks.

9.5.2 Theoretical implications to business management

According to Bremmer and Keat (2009) the political challenges and risks knowledge is grounded in the decision making and problem solving theory, which states that political challenges shape or direct the investors' decisions on where, when and how to invest in international locations. Therefore, the findings make significant contribution to the knowledge that informs investors on the issues relevant to their decision making or problem solving given the political challenges and risks they are exposed to in the banking sector of South Africa. Most importantly, the findings demonstrate the significance of approaching African countries per country by country basis, because of the empirical evidence that confirms the research assumption on the heterogeneity of African business environments.

The findings ease investors' decision making process on critical investment decisions such as strategic goals with regards to their growth and development, and whether or not to invest or disinvest. Thus, given the knowledge made available in this study, current investors may make decisions on the future of their investments by weighing the cost or benefits of being in South Africa given the complex web of the political challenges that seem to be diminishing the locational value of South Africa. Dunning (1993) OLI model and his assumptions on the motives of firms on FDI into international destinations (Dunning, 1998) appears to suggest that, when the locational benefits diminish, whilst they are key to the attraction of investors in the first place, investors may decide to disinvest because they may not be achieving their strategic goals or profitable returns from investments. The diminishing locational benefits which includes the uncertainty of market growth and market size due to the interrelated and politically motivated challenges in South Africa for example, echoes findings in literature, which shows that banking FDI is attracted by market size and growth potentiality (Goldberg, 2009; Dunning, 1993) which investors anticipates for their profitability (Van Wyk, 2010).

This means therefore, that this study provides a base of empirical evidence from which foreign investors into the services industries in particular, can draw insights on the nature of political challenges that are distinctively unique to South Africa, and conceptualise clearly, how they can impact on their operations and use them to make strategic decisions for their future. This assumption however, remains theoretical unless future research shows whether or not FDI in sectors such as manufacturing, mining or agriculture, which is believed to be mainly resource seeking (Dunning, 1998) can be discouraged by the political challenges this study reveals, or whether the political challenges affects them in the same manner as FDI in the banking sector of South Africa.

9.5.3 Theoretical implication to the host country

The political investment climate needs sprucing up in terms of re-thinking on the priorities the government gives to the national goals, and then re-strategizing its approaches in order to implement suitable policies. For as long as FDI is critical to South Africa's economic growth and development, thus, since the country is not capable of sustaining its own growth and development from internal capital (UNCTAD, 2013) it is necessary that the country attract and retain more foreign investors. The government needs to be aware of the challenges that might be deterring FDI or driving out current investors.

Evidence of diminishing locational advantage to investors operating in the banking sector which is seen through the political challenges participants revealed, can be reasonably linked to the country's diminishing share of FDI and capital flight reported in the UNCTAD (2014). FDI South Africa's share of FDI has softened during recent period 2012-2014 which is worrisome (UNCTAD, 2014). Besides, although it has been the major recipient of FDI inflows in Africa, its FDI levels compared to countries with similar economic characteristics that foreign investors seek raises questions (IMF, 2012). Also, reports that South Africa has suffered significant loss of capital due to capital flight and illicit financial flows (UNCTAD, 2014) just like other Africa countries (Ajayi and Ndikumana, 2015) period between 2003 and 2012 suggest that investors might be looking elsewhere to seed their capital.

Essentially, this study has shown empirically, that there are political challenges that investors are facing in the banking sector, and these are the sort of findings that might help explain the challenges of capital flight, disconcerting FDI levels and patterns afflicting South Africa.

9.5.4 Contributions to the related contexts

This research is relevant to achieving similar theoretical and empirical research goals on the subject of investment climate in other developing countries of Africa as it contributes towards the bigger and important question on the FDI determinants by opening eyes to new and advanced ways of understanding the investment climates of foreign investments. The research is relevant to achieving similar goals in other developing countries of Africa because it demonstrates that understanding deeply, the nature of political investment climate, and other robust FDI factors, is critical for building a strong theoretical and conceptual base from which to also understand better, their own investment climates and the characteristics of the challenges, which are unique to individual countries. After all, the desire to grow and develop economies through FDI driven strategies is the goal of many developing countries in Africa, who are seeking to grow and develop their social and economic spheres (NEPAD, 2013).

This study has made contributions to literature, whereby the study has shed light on how the methodological and research focus of attention in previous research, is a significant insight into how research in similar countries can be directed. Bearing in mind that the researcher, throughout the thesis, advances the notion that countries are different and therefore research designs should be tailored for individual countries' needs rather than for the sake of generalisability. This study shows that by focusing on a specific country, and more narrowly, looking at a specific sector, research can elicit detailed and extensive descriptions of problems that otherwise would have remained unsolved both theoretically and practically. Therefore, approaching the FDI determinant phenomena in other countries from a similar perspective is highly recommended, and suggestions for future research will bear such extension of the problems in mind, including also, focusing on other specific sectors and other FDI issues that might be seen as robust FDI factors. After all, the approaches and techniques used in this study can be replicated in similar ways, but applied in related contexts, especially in Africa, where political factors are diversely unique and strongly influence economic decisions about their investment climates.

9.5.5 Contributions to policy

This study brings together the diverse views of the research participants in relation to the changing dynamics of the political investment climate, in order to provide some useful pieces of information and insights for policy and practice, by highlighting factors that are affecting current investors, which may also extend knowledge on the determinants of FDI in South Africa. Such knowledge, it is hoped, will help policy makers understand better the factors that may discourage FDI inflows, therefore work more on sprucing up those issues to improve their investment climates.

As flagged up on one of the four research pillars on the research Framework, Figure 1, one of the principal goals of this study is to use insights from all the research questions, as well as the ideas emerging from the Domain Knowledge, in order to address the research question 3;

- Does the identification and in-depth understanding of their nature help understand better, the political investment climate of foreign direct investments in South Africa?

This question seeks to add to knowledge, literature necessary for understanding the political factors and challenges that may discourage inward investment attractions in South Africa. The study therefore, provides insights that may be vital for the improvement of political investment climate of FDI.

Accordingly, the rationally relevant views, suggestions and opinions that emerged from the interviews are summed up in the matrix presented as Table 14 below, and these are used to bring together the policy recommendations that follow.

9.5.5.1 Summary and Conclusions in respect of research question 3

Table 14: Key insights in the light of the research question 3

Findings related to research question 3	Main themes	Practical implications
- Poor and uncoordinated economic strategies, unpredictable business regulatory environment, burdening policies and reform strategies, *- Difficult to make long strategic plans* *- Regulations are too much: eliminate economic freedom* *- Domestic investors not fully supported* *- Black Economic Empowerment reforms (BEE)are not effective, corruption hub, burdening to investors* *-Weak controls on political corruption, institutional ineffectiveness and inefficiency, disparities between policy and practice* *- Fear, anxiety and uncertainties over economic policy stability, political stability, legal strengths, government continuity due to socio-economic underdevelopment* *- Regulatory challenges, political instability, governmental challenges, lack of focused leadership, lack of economic reform/growth ideas* *- Employment creation, infrastructure development, human capital development* *- Focused leadership, better approaches to economic and social development* *- Political, economic and social stability, employment, poverty alleviation, income balance, domestic investments, foreign investments* *- Good, although more can be done,* *purpose being served by FDI not clear to many, high expectations from Domestic and FDIs* *- Re-evaluation of the BEE led to the development of the BBBEE reforms.* *Stringent enforcement the reforms*	*All themes applicable depending on opinions emerging from the data*	*- A vicious cycle of a situation difficult to break out from. There is an urgent need to infor policy of the possible alternative to growth and development* *Government economic reform policies are burdening and discouraging, hence the reaso why South Africa's share of FDI is mostly portfolio investments. Investors are not convince enough to commit long-term investments because of the burdening policies as a result the restructuring policies.* *- Economic growth is the key to the South African socio-economic challenges not burdenin reforms. All other agendas that the country wants to achieve hinges around econom growth. The political economy should now focus on economic growth to facilitate th transformation process. The social, economic and political spheres lack the infrastructur support that the system requires to buttress the current economic reforms for them to b successful.* *- For that reason, the Domestic investments together with foreign investments are a mo feasible alternative for economic growth and development. Policy makers should therefor focus on sprucing up, not only the political investment climate, but the whole busines environment for the attraction and retention of FDIs.*

Source: Own research

9.5.5.2 Recommendations for policy and practice

Besides providing insights to the investors regarding the investment climate challenges in South Africa, this study offers useful insights to academicians, for example 1) in the form of new knowledge on the determinants of FDI, 2) insights on the different approaches and perspectives necessary for tackling similar research problems in FDI research, and 3) highlighting the need to reinforce the theoretical and conceptual foundations with more focused insights. It is envisioned that the study could act as a blueprint for policy directions on how policy makers can shape the FDI investment climate, as the study informs on the particular aspect of the political economy that has significant effect on current investors and most likely FDI inflows. Policy makers will also benefit from understanding how some political factors and challenges entangle with matters concerning the efficacy of economic policies and strategies for attracting more FDIs to South Africa, which is important for its social and economic development.

The analysis has demonstrated that the stability of the political-economy, particularly with regards to the infiltration of political factors and challenges into the operations of businesses, is critical to investors. However, its stability appears to be heavily compromised by the many political and economic aspects impinging on the economic policy decision making process and agendas that are subsequently generating the political factors and challenges this study unveiled. Also, the critical literature reviews done for this study have shown that, for the past 20 years, the political economy policies and strategies to meeting the economic, social and political agendas seem to be ineffective because of the diametrically opposing policies and reforms which appears to result in a vicious cycle state of affairs that appears difficult to break out from. Diametrical policies seem to be causing the slowness in economic growth, hindering the attraction of FDI, and hence the unchanging socio-economic status even at the time of writing this study. Knowledge on the background of South Africa suggests that the government aims to attract investors just as much as it aims to achieve other economic, social and political agendas, particularly the redress of the social and economic disparities that has afflicted the country for a long time. The agendas, however, are not satisfactorily achieved it appears, due to the antagonistic characteristics of the policies for progressing the national environments and interest.

To that cause, the researcher identified some salient factors and ideas, during analyses of the literature and the research findings, which were considered logically significant for explaining the theoretical and practical puzzles in the context of South Africa, and were modelled into vicious cycle of the political economy of South Africa (Figure 16), from which the study postulates the factors considered logically significant for adoption into the economic management and policy mix. In view of economic policy making against the backdrop of the vicious cycle of the present situation, objective setting, and political economy management in South Africa so far, the country needs a systemic approach to be able to address, holistically, all its ever-pressing agendas in a more sustainable manner. Based on the research findings and insights prior to this study, it is therefore recommended that:

1. Policies for national agendas should support rather than antagonise each other therefore it is difficult to break the vicious circle demonstrated in Figure 16

Policy makers should adopt economic policies that are not antagonistic to the purpose of another, because it slows or hinders the achievement of national goals. Findings have shown that participants are not happy about some of the economic policies, yet the government insist that the policies are necessary for addressing the national agendas. Findings have also provided evidence that there is lack of support for the national agenda especially when the policies to support them are antagonising each other. For that reason, the government should perhaps consider focusing on growing the economy, since, based on the logical factors and ideas identified in literature and research findings, it is the key to alleviating the South African socio-economic challenges. Considerably, all other agendas that the country wants to achieve hinges around economic growth, therefore the political economy should now focus on economic growth to facilitate the transformation process. Facilitating the growth and development of investment is likely to be the most suitable strategy to expand the economy. FDI-led growth is a widely accepted hypothesis, mainly because empirical studies have shown that FDI inflows bring in manifold benefits that facilitate the growth and development of a host economy through various platforms such as human capital formation, capital stocks that are presumably resilient and long-term, technological know-how transfers, employment creation and many others benefits, which South Africa needs for sustainable growth and development.

As the analysis provided, current economic reforms and policies are burdening and discouraging, and clearly, this may be the reason why South Africa's share of FDI is mostly portfolio investments (Fedderke and Simkins, 2012) rather than long-term, a desirable form of FDI according to De Gregorio (1999); OECD (2002); Soto (2000); Singh (2003); Thirlwall (2006); UNCTAD (2013). It seems investors are not convinced enough to commit long-term investments because of the burdening policies enacted to alleviate socio-economic challenges.

Regarding this, it is paramount to review the policy frameworks and consider eliminating reforms that discourage investors. It is suggested that policy mixes should consider eliminating, for instance, discriminatory regulations, impractical reforms, burdening reforms in order to increase chances of attracting investment flows that are associated with growth and development. As a matter of fact, policy mixes should take into consideration, various situations on the ground based on researches like this one, which argues that redistribution programs should be well thought out, implementing apprenticeships for example, rather than enforce mandates that stifles investors, which, on the other hand, undermines the FDI attraction agenda.

2. The reform actions should be seen as the responsibility of everyone rather than a blaming institution.

Mutual relationship with industries and investors, reinforced by strong government and institutional support, can facilitate the formulation of competitive and useful growth and development programs that are sustainable and not antagonistic towards each other. The government should start to see foreign investors as partners, capable of bringing a myriad of benefits with long term effect on the economy, rather than seeing them as direct source of income for closing the income gap through harsh policies and regulations.

In as far as the new knowledge on the determinants of FDI such as institutional challenges and political corruption is concerned, the findings suggest that the government should bear in mind that investors' eyes sees farther than just spruced window displays and macro and microeconomic policies. As such, there is need to be constantly mindful of the fact that the processes for attracting investors need to go deeper to portray the right attitudes, sufficient and efficient support so that investors see potential for their growth and profitability.

9.5.6 Methodological and philosophical perspectives

This study is gap based research and the major contribution that it makes is to the body of literature on the political factors and challenges hindering investors in the South African banking industry. The research contribution was, to a very large extent, allowed by the uniqueness of the methodological approach the research employed. As posited throughout the early chapters of the study, the gaps in knowledge that the study addresses arose from methodological oversights stated in the research problem statement in Chapter 1, which entails the lack of specificity, depth and detail on the FDI determinants in African literature. The study therefore, needed a methodology that viably access in-depth information about the nature and characteristics of the political factors and challenges. Such information is mostly subjective and resides deeply in the subjects of the research.

To access deep insights in order to paint a denser and clearer picture of the situation under study, the study adopted a methodological perspective rarely used in exploring factors of investment climate in the existing body of literature, which enabled the study to systematically explore the research questions.

Firstly, researching from a qualitative paradigm allowed the adoption of a theoretical position and methods that allows the research to seek multiple perceptions from multiple groups of participants, thereby gaining wide insights to inform the study. The framework of political factors and challenges that the study proposed resulted from knitting together the multiple perceptions from the empirical evidence. This makes it the first study, hitherto its publication, to explain the South African political investment climate by bringing together opinions of the government, the investors and intermediaries, in the light of a specific investment climate in South Africa. When Tuomi (2011) carried out a similar research using qualitative methodology, she only sought insights from the foreign investors. In addition, unlike previous studies that are mostly based on large scale samples, the current study is based on a small sample of participants drawn from a single country and single industry, and has a single focal phenomenon, which allowed the study to produce findings that are likely to be of significant relevance to the theoretical and conceptual frameworks in respect of South Africa. Also, the use of a qualitative methodology and qualitative interviews allowed the study to contribute significantly to literature because the mostly hidden factors that contribute to the formation and growth of political challenges and risks have been exposed using qualitative approaches. Thus, for the study to achieve the depth for a better comprehension of the political investment climate, the study used open-ended questions in a flexible based interview style, namely, semi-structured interviews. Again, this approach, which allowed this research to gain very useful and intrinsic insights about the nature of political investment climate in South Africa that otherwise could not have been gained by a purely positivist study.

Secondly, the use of post-positivist theory allowed the research to enter the field of study without pre-set hypothesis, which allowed theory to emerge from the research context, thereby contributing to the theoretical and conceptual foundations of literature on the investment climate that is specific to South Africa.

Lastly, the use of methods that allows for interaction with the actual players in the banking sector, permitted not only the assessment of the phenomenon from a deeper viewpoint, but allowed the dissection of the phenomena by asking participants to explain or give context to their perceptions, which in total, helped understand better, the nature and state of political risks and challenges facing investors in South Africa.

9.5.7 Limitations of the study

It will be fictitious to say a research such as this one was completed without encountering any limitations or to posit that the research covered everything along its line of analysis. Thus, although the study demonstrates that its objectives have been successfully met, challenges that could perhaps threaten the validity of the research findings need to be acknowledged, highlighting the measures that were taken to around them and why. According to Flick (2014) highlighting limitations is not shooting oneself in the foot but it is sincerely acknowledging that there were hurdles encountered and demonstrating ways that helped navigate through them, in order to limit their impact on the validity of the research.

In this study, the sample size could be regarded as a threat to the generalisability of the findings, and the major caveat of which lies in the fact that the sample was drawn from a specific economic sector and narrowed to view it through political lenses. This means, perceptions were limited to the banking sector, and interview guides were limited to discussions involving players in that sector, disregarding perhaps, would-be insightful perceptions from other economic sectors, as well as perhaps other salient macro-economic factors which may have been significant. Also, the fact that the study focused on one specific sector of the economy, may imply that they are not transferable to other sectors.

So generally, caution should be exercised when generalising the findings. However, it is necessary to mention that, in as far as the scope of insights is concerned, the study benefited from multiple insights drawn from a large and diverse sample comprising of bankers, government officials and intermediaries, which reduced the chances of getting a myopic perspective about the focal phenomenon.

Another source of limitation that could have threatened the validity of the study is that, the researcher could not get back to all the participants in South Africa in order for them to check the accuracy of emerging themes. Member check is an important quality check criteria for qualitative research (Creswell, 2012) in this case, providing significant information regarding the themes that were derived from raw data after transcription. However, the use of modern technology based applications such as Skype, online chatroom and voice messages, helped ease the challenge as participants agreed to check transcripts online. The researcher also approached peers to read the transcripts in order to validate the major themes as provided by the research evidence. Peer review is one effective method for verifying the emergence of themes, which largely, determines the rigour of the study (Creswell, 2012).

9.5.7.1 What could have been done differently

Whilst acknowledging, taking cognisance of, and mitigating the impact of the limitations highlighted above, ideas arose as to how the research could have been done or approached differently. Just like it is important to highlight limitations, outlining ideas on how the research could have been done differently is equally important as this researcher believes it can provide ideas into how future research areas suggested later on, could be approached or tackled.

The adoption of research methods, especially for data collection and analysis could have been done differently. For instance, since the theoretical underpinnings of the study allowed the integration of research methods and techniques from any research tradition, the adoption of the mixed methods approach, and the use of quantitative techniques, should not have been completely ignored, especially during data collection and analysis. Quantitative methods of data collection and analysis could have perhaps eased and quickened the processes of data collection and analysis because they could have been done online and using computer aided data analysis techniques for example. However, this option was disregarded because the researcher felt she would understand better, the data by engaging with them manually. Although the manual thematic process employed in this study was painstaking, it was an invaluable experience in dealing with and managing masses of data manually. Plus immersing oneself in the data, and iterating back and forth for instance, helped comprehend deeply, their intrinsic meanings from the participants' standpoint. Moreover, the analytical framework developed as lenses for analysing and interpreting data, helped categorise data, making them more manageable and easier to interact with. Perhaps in future research, considerations could be made to juxtapose the methods from both of the research paradigms.

Again as highlighted when reflecting on the study limitations, it can be reasoned that the study could have perhaps benefited from insights from other sectors, by considering multiple case study design, which could have helped widen the perspectives into the research. That could have been also necessary for comparing sectorial findings for generalisation purpose as mentioned earlier. However, this approach would have made this study unwieldy as well as falling into the current trend of cross-industry analysis, which it is trying to shy away from. As explicated in Chapter 1 and in the contexts Chapter 2, it was the intention of the research to focus on a specific country, industry and line of inquiry, in order to address the depth and detail gap in literature.

9.5.8 Dissemination of Knowledge

Although this study has demonstrated several contributions to knowledge, it is vital for a PhD investigation also to make formal contributions in the field of interest by making visible, the areas of interest in the research, thereby addressing a wide spectrum of audiences.

Yin (2003) emphasised the significance of addressing each of the audiences according to their needs for an efficient and successful communication of the findings. For example, the theses and dissertations committee's needs whose emphasis may be on theoretical and methodological perspectives may not be of much significance to other audiences such as the policy makers for instance. In essence, both audiences have parallel needs in as far as different research problems are concerned.

So, since one of the aims of the study is to develop ideas for further investigations and to inform or insight the policy makers in Africa at large, about the uniqueness and nature of the political challenges in South Africa and how they were unveiled, considerations will be taken to produce reports that caters for such an audience and more. Only one report will not serve all the intended audiences, therefore the researcher will draw from this project, topics of interest to pursue and communicate.

Firstly however, identifying who might have interest in this research is significant. Academicians and scholarly researchers, scholars, investors, investment advisors and the government, could be some of the special interest communities suited for this research findings. To effectively communicate the findings, and probably probe more research interest towards the unanswered questions and issues that this research points out as areas for future research, the dissemination strategies which includes PhD thesis, scholarly publications, conferences, seminars, workshops and teaching methodological perspectives to research students, are some of the platforms and strategies the researcher intends to utilise.

So far outcomes from this study include these conference contributions:

1. MARAMWIDZE Efrider, (2011) British Academy of Management (BAM) conference: FDI attractions in South Africa.
2. MARAMWIDZE Efrider, (2014) Sheffield Business School (SHU): Governance and the investment attraction agenda in South Africa

9.6 Personal reflections

Some personal challenges arose during the fieldwork. The empirical work for this study was conducted in South Africa and the researcher is currently based in the United Kingdom. Researching on a phenomenon whose context lies outside of the United Kingdom was too challenging. The distance involved meant huge financial commitments, and although the researcher was prepared for that, there were some eventualities that demanded more funds than initially budgeted for. For instance, more cost of accommodation, food and transport when bookings had to be extended in order to accommodate rescheduled meetings.

Regarding the whole research journey, the data analysis and interpretation stage was the most challenging phase and is worth reflecting upon. For instance, choosing not to use data analysis software made the data analysis process longer and a painstaking exercise. However, it was later rewarding as immersion with data, manually coding and theming, helped understand data meaningfully, which also made it easier to link it to the existing knowledge.

Also, trying to knit together a coherent and seamless structure that links literature to research questions and links research questions to how the questions were to be answered and how answers to the research questions were derived from data was complex, time consuming and very stressful. However, this was achieved in the long-run, by spending serious and quality time with my literature and data, iterating back and forth between literature, research questions and research objectives, building my own understanding of the study and knitting together the explanations from the data.

I learnt the hard way that establishing firmly my own purpose and crafting it like an 'elevator pitch' and then practice constantly by talking about it, is important throughout my research journey. Many times my supervisor reminded me to relate my literature and findings to the investment climate, which is my field of study, but until it hammered home about my purpose, I continued waddling purposelessly for a long time, perhaps writing others people's theses and literatures because I was trying to imitate their style of writing and expressions. I was trying to fit my thesis into what and how other researchers have done or said, perhaps thinking that their prose is better than mine. But when I established my purpose and began reading, writing and talking it every time, finding my line of argument became clearer. Every literature I read and every paragraph I wrote, my purpose was there always, boldly engraved in my vision. Overall, this learning curve has certainly revolutionised my views about research and will certainly shape my approach to research on FDI determinant in the future.

9.7 Future research directions

This study unveils a number of issues, which gives rise to a number of unanswered questions, thereby providing a rich theoretical base upon which future research can build on. It is therefore recommended that further research be considered in respect of the following areas:

Firstly, yes the study focused on the South African banking sector through the political lens, but there is also scope to explore the views of the investors, government and intermediaries in the diverse economic sectors within South Africa, as the methodological approach and perspective of the study could be replicated. Conducting similar research in other sectors of the economy, perhaps as multiple case studies (Yin, 2003) might enable comparison of perspective to be made and to establish if the factors affecting investors in the banking sector affects those in other sectors. Such insights might allow for rational feed-forward into policy and practice. Essentially, this study could be used as a yardstick and for comparison purposes should similar researches be carried out in other sectors.

Secondly, as suggested earlier, it seems possible that the study's methodological approaches may well be replicated and be employed in studies focusing on other developing economies, whereby to understand deeply, the specific aspects necessary for the inward FDI is significant for the purpose of drawing theory and concepts that are relevant for policy in those contexts. Still on the methodological approaches, further research using both qualitative and quantitative methodology, and incorporating the commonly surveyed FDI determinant variables and the previously excluded variables exposed in this study, would allow both qualitative and statistical analysis, which may provide powerful explanations. The use of qualitative methodologies, however, should continue to be advocated in order to gain deep intrinsic knowledge that is somewhat impossible to elicit quantitatively, hence the knowledge this study attempt to address.

Thirdly, it is possible that the study findings have stirred up many debates that require further attention. For instance, it would make sense to continue exploring the governance phenomenon, from the FDI perspective, that this study has highlighted. In fact, more work will need to be done to determine the depth and impact in respect of all the challenges unveiled in this study, in particular, political corruption, which is not well addressed in existing literatures.

Lastly, on the factors and ideas that the researcher considered logically significant for explaining the theoretical and practical puzzles in the Domain Knowledge studied for the purpose of this study, she urges other academicians to refine or modify the identified factors and ideas she theorised in the vicious cycle of the political economy of South Africa, in order to continue informing policy makers/government the feasible and effective economic management and policy mix.

9.8 Conclusions

The study has painted a picture of the political challenges and risks facing investors in the South African banking sector, which has not been available in literature, hitherto this research. The study has successfully showed that it is necessary to carry out research works that are factor, country and industry specific, particularly in the contexts of African countries, where such research is still very limited.

Based on the research findings, the study places itself within the FDI determinants corpus, as it contributes to our understanding of the political investment climate, particularly the political challenges and factors influential to FDI inflows in South Africa and related contexts.

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APPENDICES

Appendix 1: Participant invitation and information letter

Sheffield Hallam University
Research Students Unit 5
Sheffield
S1 1WB

Date...

Dear...

Research project: The political challenges of foreign investments: Insights from the South Africa's banking sector

I am currently undertaking a research project examining the political investment climate to identify challenges facing current investors, in order to understand better, the political challenges and risks of foreign direct investments (FDI) in the banking sector of South Africa. I have identified your organisation because it is one of the major stakeholders in the banking industry and directly relates to this study. I would like to meet with you to discuss this topic in order to gain a deeper understanding of the politically motivated investment challenges facing investors. The main objective is to hear your experiences, perceptions, opinions and suggestions on the political issues impinging on the business operations, with an underlying agenda to find out the attractiveness of South Africa, and the role of the government, in FDI inflows.
Your input on these issues is crucial in providing information that will be used to provide insights on how to improve investment climates to policy makers in South Africa and in other African countries wishing to attract foreign investors. I will be in South Africa from the 5th of May to the 5th of June 2013. I am aware of the constraints on your time and I am happy to arrange times that best suit you.

The research project is purely educational and I am bound by the Sheffield Hallam University Research Ethics guidelines which obligate me to adhere to strict confidentiality and anonymity of the research participants, therefore our discussion will remain confidential and all data will not be directly attributed to you or your organisation. If for any reasons, you are not in a position to speak to me yourself, please kindly refer me to a relevant person who may be able to do so. Should you have any questions regarding this project, please feel free to contact me or my university directly using the above details.

Thank you in advance for agreeing to assist me in my educational pursuit. If there are any questions you want to ask or any further details about this project, please feel free to contact my supervisors at my institution, details of their emails are given below.

Yours sincerely

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Appendix 2: Consent form

I, ... of, Organisation name..., am willing to participate and/or give Efrider Maramwidze information for the purposes of her Thesis for PhD at Sheffield Hallam University as it has been described to me.

		Please initial in the box
1	I confirm that I have read and understood the information sheet provided to me by Ms Maramwidze on the above study and have had the opportunity to ask questions.	
2	I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason, without my legal rights being affected.	
3	I understand that data generated from my participation in this study may be looked at by the researcher and their supervisor. Anonymised data might be included in the researcher's project or published in an academic journal. I give permission for data generated from my participation in this project to be used in this way. I understand that Ms Maramwidze may want to quote parts of what I say to her in her written material resulting from this study, but that she will not do so in a way that identifies me	
4	I understand that any concerns that may arise in the course of this research might require the disclosure of information to a third party.	
5	I can confirm that to the best of my knowledge I am eligible to take part and was not coerce to do so.	
6	I agree to be recorded for clarity purposes and I am aware that any interviews that might take place will be electronically recorded for the purpose of report writing . Please feel free to ask the research to stop recording at any time during the interview	
7	I agree to take part in the above study.	

Signed..

Date..