

ABSTRACT

The flow of foreign direct investment was the earliest type of resource transfer to developing economies. Foreign direct investment has two major components: portfolio investment and direct investment. Portfolio investment is in the form of equity capital, either share or bond holding, in ventures in developing countries. On the other hand, direct foreign investment enables the foreigner to own the physical productive assets which he operates directly. The purpose of the study was to investigate the incentives of foreign direct investments in Kenya. The objective of the study was to determine the incentives of foreign direct investments in Kenya. The study used correlation design as it was the most convenient method that would capture the objective of the study. The study targeted the multinational companies that have established their regional headquarters in Nairobi. The sampled population was 43 multinational companies in Nairobi. Questionnaires were used as the main data collection method. Data was analysed and presented in form of descriptive statistics. Statistical package for social scientists (SPSS) was used to compute the data and it was presented using table, graphs and pie charts. The study revealed that the incentives for foreign direct investment in Kenya included; market size (23%), cheap labor and cost of production (21%), liberalization of the economy (19%), favourable legal framework (14%), bilateral trade agreements (14%) and political stability (9%). The study recommends that the government should improve the infrastructure; review incentives granted to investors from time to time and also invest heavily in technology so as to attract more investors. The study also recommends further study to be done in other areas in Kenya that were not concern of the study