

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the study

The internalization of an economy that was once characterized by its foreign trade flows (imports and exports) and by the movement of people, nowadays results in an intensification of Federal Direct Investment (FDI) movements. Globalization and neo-liberal policies, including liberalization and privatization, have generated a significant growth of FDI in recent years (Colantonio, 2005; Mohamed & Sidiropoulos, 2010). Despite the increase of globalization in the Tourism industry, there is surprisingly little empirical research on the impact of FDI. Many studies about FDI exist, but only a few analyze the Tourism sector and its implications. According to (Dwyer & Forsyth, 1994), even though FDI plays an important role in the development of world Tourism, the analysis of its impacts has been neglected and has attracted less attention in the literature than what was expected. More and more countries worldwide try to attract FDI to promote their growth. FDI is a means to finance new structures and equipment and allow a transfer of more advanced technology and forms of management, in addition to the multiplier effects it provides. It is crucial for countries to understand what drives companies to invest aboard, given that FDI contributes to their economic growth and development. The aim of this study is to identify the factors considered to be determinant in the process of attracting FDI to the Tourism sector, from a comprehensive review of literature. Accordingly, the paper begins with a brief summary of international trade theories and their connection with FDI; followed by a theoretical framework of FDI identifying the positive and negative impacts and the determinant factors in the attraction process. In the second part of the paper, the connection between FDI and the Tourism sector is analyzed, concluding that the factors considered determinant in FDI attraction are similar to Tourism and other sectors, but varying in their importance. Lastly, some strategies are suggested to attract FDI.

#### 1.2 Statement of the problem

The financial system in our country is relatively underdeveloped by western standards, even though progress has been made. Despite some recent improvement, Nigeria's business freedom remains constrained by a burdensome regulatory environment. Corruption in Nigeria remains in high levels. Corruption is evident in all the sectors and levels of government. Nigeria is still considered a transit country for the traffic of arms, contraband and human beings. The economy remains vulnerable on several fronts due to tax evasion and the lack of anti-money laundering laws. The resolution of the property problem in Nigeria is obstructing foreign investors. The process of the denationalization of land and national buildings, medium and large-sized national enterprises in industrial sectors with intensive capital, and strategic sectors like energy, water and transport, has been slow.

#### 1.3 Objective of the study

To determine the impact of foreign direct investment on the hospitality sector

#### 1.4 Research question

Does foreign direct investment have any significant impact on the hospitality sector of the economy?

#### 1.5 Research hypothesis

Ho: Foreign Direct Investment has no significant impact on the hospitality sector of the economy. Hi: Foreign Direct Investment has significant impact on the hospitality sector of the economy.

1.6 Significance of the study Foreign Direct Investment (FDI) has become an increasingly important element for economic development. Specifically in the Tourism Industry, it is paramount to know which factors affect FDI inflows. The aim of this study is to analyze the main potential determinants in the process of attraction FDI in to the Tourism Sector. This article offers a comprehensive review of articles that were published, and concludes that the key determinants of FDI in the Tourism Sector are similar to the determinants of FDI in other sectors. The information obtained is a starting point for the implementation of strategies to attract foreign investment

#### 1.7 Scope / Limitations of the study

This study on the impact of foreign direct investment on the hospitality sector will cover various approaches to the study and its impact on the area of study. Financial constraint– Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview). Time constraint– The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.

1.8 Definition of Terms Foreign Direct Investment: Is a controlling ownership in a business enterprise in one country by an entity based in another country. Hospitality: The friendly and generous reception and entertainment of guests, visitors, or strangers.

## **IMPACT OF FOREIGN DIRECT INVESTMENT ON THE HOSPITALITY SECTOR**

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