International Journal of Innovative Social Sciences & Humanities Research 10(4):1-12, Oct.-Dec., 2022

 www.seahipaj.org ISSN: 2354-2926

Effect Of Host Country Characteristics On The Performance Of Selected Multinational Firms In Enugu State

Adonai O. Okonkwo PhD & Unachukwu Ikenna Chukwukamnene

Department of Business Administration,
Enugu State University of Science and Technology, Enugu

ABSTRACT

The study sought to ascertain the effect of host country characteristics on the performance of selected multinational firms in Enugu state. The firms studied were Nigeria Breweries Ama, 9th mile and Nigerian Bottling Company plc, 9th mile all in Enugu state. The objectives of the study were to determine the extent to which market size affects the growth of multinational firms in Enugu State, to examine the nature of relationship between availability of skilled labour and profit of multinational firms in Enugu State, and to ascertain the extent to which host country's laws and regulations affect the market share of multinational firms in Enugu State. The researcher adapted a descriptive survey design in the study. The data for this study were collected from two major sources; primary and secondary sources. The total number of the population of study was seventy-five (75) of which the total number of the population was used for the study. The research instrument used in the study was well structured questionnaire. The content and face validity of the research instrument was used in the study. The reliability of the instrument was established through test re test method with a value of 0.87%. Data for the work was presented using simple table and analysis was done using simple percentages. Hypotheses one and three were tested with simple regression while Pearson product correlation moment was used for hypothesis two. The findings revealed that there is a significant effect of market size on the growth of multinational firms in Enugu State ($r= 0.806$; $t= 11.477$; < 0.05), there is a positive relationship between availability of skilled labour and profit of multinational firms in Enugu State ($r= 0.879$; $p < 0.05$), and that host country's laws and regulations to a large extent affect the market share of multinational firms in Enugu State ($r= 698$; $t= 8.207$; $p< 0.05$). The work concludes that multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global relationships when appropriate trade and active competition policies are in place. It was recommended among others that multinational firms should invest in host countries with better environment in terms of larger market size and smaller fixed entry cost to enable them to make more sales and profit which will result to business growth.

Keywords: Host Country Characteristics, Performance, Market Size, Skilled Labour, Laws and regulations

INTRODUCTION

Part of the glaring features of underdevelopment is the low rate of capital formation occasioned by low rate of savings as well as low human capital formation and underutilization. Given this backdrop, there is little wonder that the last few decades have witnessed a phenomenal upsurge in the flow of foreign investment to developing countries. The low income countries in their developmental process are becoming increasingly conscious of the fact that foreign investment inflows is a major stimulus to economic growth given the inadequacy of financial resources, technology and skills. Several other reasons can be adduced for the dramatic increase in the flow of foreign investment to developing countries. These include low levels of domestic savings and wave of globalization (Maghori, 2014).

Country's performance in terms of annual foreign investment inflows is often taken as a measure of the appropriateness of its policies and, by extension, of its relative attractiveness as a location for investment. Foreign investment by international businesses has evolved from an activity largely undertaken by large multinational enterprises located in a handful of countries into a global phenomenon. These large firms still dominate global flows in value terms, but they are increasingly only one part of an expanding universe of firms investing abroad. Many of these newer international businesses are small or medium-sized companies originating from countries which were formerly predominantly hosts to foreign investors. The rapid and uninterrupted expansion of international business investment over the past five years is part of a long-term trend towards increasing economic integration of the world economy. More firms from more countries in more industries are investing abroad than ever before. Multinationality is no longer the preserve of the world's largest firms. Although they still dominate global flows in value terms, the number of firms investing abroad is continuously expanding. The nature of multinationality is also changing, as the activities of foreign affiliates have become more integrated with the parent and with other affiliates (Vijayakumar, Sridharan & Rao, 2010). In many ways, international business investment is a means by which the world economy becomes more integrated. Through their international presence, multinational enterprises lower the transactions costs involved in international business and help to channel goods, services, capital, labour and technology worldwide (Thomsen, 2000). When appropriate trade and active competition policies are in place, international business investment can also stimulate competition in the local economy. The ultimate outcome is improved growth prospects for the countries involved and greater integration with the global economy.

The economy of a nation is sustained by the economic well-being of firms and industries operating in the economy. Unlike government that is obliged to provide primary goods, the primary motive of an investor is to provide goods and services with the aim of making profit. Since it takes a while for a newly established firm to breakeven, potential investors both local and foreign are constantly looking out to a favorable environment that will allow business to grow without hindrance. The Nigeria business environment has a lot of potentials for both local and international investors. Most countries particularly developing ones have laid emphasis on the importance of foreign investments from international businesses in growing their economy. This resulted in most developing countries particularly Nigeria deregulating their economy and encouraging more trade openness to attract international businesses. With companies increasingly able to capitalize on differentials in labor costs and increasingly interested in providing goods or services directly in often protected emerging markets, these flows are likely to continue increasing. It remains an open question, however, as to what pulls international business investment into countries. It is intuitive that international business investments should flow into countries with relatively stable economic conditions, strong institutions, high trade openness and other favourable host country characteristics.

The world market for foreign investment has become more competitive within developing countries (Mallampally & Sauvant, 1999). Due to these developments, many developing countries began to reform its policies on trade restriction and capital control to promote their countries as destinations for foreign investment, in contrast to where once it was heavily regulated. Government started to provide tax incentives, rebates on custom duties and change of investment policies to attract foreign investment (Elfakhani & Mulama, 2011). Elfakhani and Mulama (2011) further explained that beside the trade liberalization and capital control deregulation, the debt crisis in 1980s limited the option of using private firms and government bilateral financing for many countries to obtain capital for development. On the other hand, widespread corruption, political instability, lack of transparency and poor quality of infrastructure are limiting the country's FDI potential. Intense bureaucracy also curbs foreign investment in some developing countries. Therefore, this work is aimed at ascertaining the effect of host country characteristics on the performance of selected multinational firms in Enugu state.

Objectives of the Study

The broad objective of the study was to ascertain the effect of host country characteristics on the performance of selected multinational firms in Enugu state. The specific objectives were to:

1. Determine the extent to which market size affects the growth of multinational firms in Enugu State
2. Examine the nature of relationship between availability of skilled labour and profit of multinational firms in Enugu State.
3. Ascertain the extent to which host country's laws and regulations affect the market share of multinational firms in Enugu State.

Research Questions

The following research questions will guide this study

1. To what extent does market size affect the growth of multinational firms in Enugu State?
2. To what extent does the availability of skilled labour relates with the profit of multinational firms in Enugu State?
3. To what extent do host country's laws and regulations affect the market share of multinational firms in Enugu State?

Statement of Hypotheses

The following hypotheses stated in null form were formulated for the study.

1. Market size has no significant effect on the growth of multinational firms in Enugu State
2. There is no significant relationship between availability of skilled labour and profit of multinational firms in Enugu State.
3. Host country's laws and regulations have no significant effect on market share of multinational firms in Enugu State.

LITERATURE REVIEW

Multinational Corporations

A multinational corporation is a company or enterprise operating in several countries, usually defined as one that has 25% or more of its output capacity located outside its country of origin (Niki, 2010). Multinational corporations are companies which seek to operate strategically on a global scale. A multinational corporation is a company, firm or enterprise that operates worldwide with its headquarters in a metropolitan or developed country. Hill (2005) defines Multinational Enterprise as any business that has productive activities in two or more countries. Certain characteristics of Multinational Corporations should be identified at the start since they serve, in part, as their defining features. Often referred to as "multinational enterprises," and in some early documents of the United Nations they are called "transnational organizations," Multinational Corporations are usually very large corporate entities that while having their base of operations in one nation—the "home nation"—carry out and conduct business in at least one other, but usually many nations, in what are called the "host nations." Multinational Corporations are usually very large entities having a global presence and reach (Kim, 2000). Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global commons (Litvin, 2002).

A typical multinational corporation (MNC) normally functions with a headquarters that is based in one country, while other facilities are based in locations in other countries. In some circles, a multinational corporation is referred to as a multinational enterprise (MNE) or a transnational corporation (TNC) (Tatum, 2010). They enter host countries in different ways and different strategies. Some enter by exporting their products to test the market and to find whether their existing products can gain sizeable market share. For such firms, they rely on export agents. These foreign sales branches or assembly operations are established to save transport costs because there is a limit to what foreign exports can achieve for a firm owing mainly to tariff barriers and quotas and also owing to logistics or cost of transportation. Most of the firms are encouraged by the low wage rates and other environmental factors. To meet the growing demands in the foreign countries, the firm considers other options such as licensing or foreign direct investment which are critical steps. Some continue with export even when they have settled for the FDI option. Every step takes strategic planning and is motivated by profit through sales growth (Otusanya, et al, 2012).

Host Country Characteristics

Within the context of this study, host country characteristics are the features of an economy that can either attract or dissuade foreign investment. This emphasizes the extent of development in the host country that makes its market more or less attractive to the international business. The host countries characteristics covered in this study are discussed below.

Market Size: Market size refers to current target market within the country or area (Liu & Pearson, 2010; Mhlanga, Blalock, & Christy, 2010). The market size of the host country and its growth play a significant role in determining the inward international business investment flows. Chakrabarti (2001) opines that market size has, by far, been the single most widely accepted significant determinant of foreign investment inflows. Pointing to the importance of market size as the fundamentals of inward flows of international business investment has a long tradition in the literature on foreign investment. Larger host countries' markets may be associated with higher international business investment inflows due to larger potential demand and lower costs due to scale economies. For example, Resmini (2000), looking into manufacturing FDI, finds that countries in Central and Eastern Europe with larger populations tend to attract more foreign investment, while Bevan and Eastrin (2000) present similar results; transition economies with larger economies also tend to attract more foreign investment.

Labour Supply: This refers to the amount and availability of skilled labor in country (Dutta & Osei-Yeboah, 2013; Liu, Daly, & Varua, 2012). Potential foreign investors are concerned not only with the cost of labor, but also with its quality. A more educated labor force can learn and adopt new technology faster, and the cost of training local workers would be less for investing firms. The idea of investing in the developing countries is considering advantageous due to the low labour cost and wages. According to Pigato (2001), all other factors remaining unchanged, lower labor cost reduces the cost of production, but the availability of cheap labor justifies the relocation of a part of the production process in foreign countries. Pigato (2001) shows that with FDI moving toward technological intensive activities, low-cost unskilled labor is not in vogue; rather it is the demand-qualified human capital that counts.

Laws and Regulations: Laws and regulations regulate the operations of firms' particularly international business in the host country. Laws and regulations vary both in content and interpretation. A company is not just bound by the laws of its home country but also by those of its host country and by the growing body of international law. It is sufficient for a firm operating at the domestic level to stick to regulations of the land, but organizations operating in different countries need to know and comply with the laws of the domestic country as well as all the host countries they operate in (Asika, 2001). Included in this component are discrimination law, consumer law, antitrust law, environmental law which result to the establishment of (NESERA), employment and labour law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.

Adeoye (2012) noted that laws and regulations are made to improve the enabling environment for greater levels of investment by both local and international investors, to create wealth and job, and ultimately more poverty reduction. Government passes regulations on industries, this has considerable effect and impacts on business, the regulatory being set up by government to prevent the public from certain business practice for example the FEPA, NAFDAC and NDLEA. Laws and regulations are made to ensure that international business comply in the course of their operations. These laws may facilitate successful business conduct as well as constitute handicaps to successful performance. Furthermore in carrying out their business operations, enterprises are required by law to pay taxes, value added tax, capital gain tax, education tax, import duties, excise duties among others.

Performance

The most important part of an organization is the performance, where performance is viewed as the success of an organization in achieving valuable outcomes, such as high returns (Memon & Tahir, 2012). Based on Smith and Reece (1999), organization performance is defined as "the organization's ability to meet the desire result as determined by the company's major shareholders". On the other hand, it is to determine whether the actual output of an organization is as what has been targeted (AlQudah *et al.*, 2014). Thus, to achieve high business performance, organizations need to attain and sustain competitive advantages. Performance involves analyzing a company's performance against its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. Organizational performance according to Markides (2011) means the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It includes three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.).

Different researchers have different ways to measure performance. Mandy (2014) summarized in his review that "the best way to evaluate performance is by effectiveness, growth and productivity, efficiency, individual employee sales, the value of exports, organization total assets and operation profit ratio as a measurement". Researcher such as Arshada *et al.* (2014) measured performance using financial indicator. Financial measure is done by measuring the sales, market share, number of employees, return on capital employed, inventory turnover, return on investment, growth and profits. However, these indicators focus on the short term rather than long term strategy (Lonbani, *et al.*, 2014). While, other researchers such as Anyieni (2014); Robinson *et al.* (1986) suggested to perform benchmarking to compare performance with the relative competitors. Besides, Anyieni (2014) also suggests to benchmark with the pre-set target. Moreover, Dubihlela and Sandada (2014) suggested to use perception of the owner or managers regarding the organization's success.

The different type of measurement that has been applied has been classed as an objective or subjective. Tang and Zhang (2005) explained that an objective measure is measuring the financial records while subjective measures used the managers' perceptions regarding the organization performance. Nevertheless, many studies suggest using subjective measures due to the data for objective criteria could be inappropriate, misleading and difficult to obtain. If the data are available, the data may not genuinely represent the actual organization performance as the information may be manipulated (Siti & Perera, 2011). It is as well determined by the industry factors which make it unsuitable for cross industry comparison. Therefore, Falshaw *et al.* (2006) concluded that "the objective measures are unsuitable for the purpose of research. In comparison, subjective measures are an easier way to measure performance". It is an effective manner because it permits the organization to carry out benchmark across firms (Song *et al.*, 2005). Subjective measure also enables organizations to measure the growth in sales, market share, productivity, customer satisfaction and product quality (Haber & Reichel, 2005). In fact, Falshaw *et al.* (2006) establish that the subjective and objective measures provide the same outcomes. Therefore, using subjective measures in the research provides more accurate information. Therefore, this study adopts subjective measures in order to measure the performance of multinational companies in Nigeria.

Theoretical Framework

This study is anchored on eclectic theory of foreign direct investment. Dunning (1977) proposed the eclectic theory of FDI. Dunning's eclectic theory is also known as OLI (ownership, location, internalization) paradigm that makes a major contribution to economic literature as it brings together previous traditional trade and internalization theories of FDI (Chawla & Rohra, 2015). As Dunning further argued that low labor costs, resource availability and a big market alone are not enough for a country to be an attractive FDI destination (Osorio, 2008). Therefore, these three specific advantages must be possessed by firms to reduce or outweigh the costs and risks of operating internationally in order to be able to succeed.

Ownership (O) advantage refers to assets that firms have, including technology, patents, innovation, and firm-specific advantages such as brand and reputation, human capital and management skills (Ayadi, 2014). Location (L) advantage refers to a competitive advantage related to social and cultural advantages (distance and cultural differences), economic advantages including market size, production factors, business costs, lower risk and political advantages including legal environment, taxes, government incentives and trade barriers. Internalization (I) advantage refers to the advantage that the firms obtain by retaining internally specific information and/or assets such as knowledge and technology knowhow.

Therefore, still able to gain control over the foreign business conduct in comparison to licensing, which firms would be exposed to lose control over (Ayadi, 2014). According to Dunning (1993) there are four types of investment motivations of FDI. They are resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking. These motivations are all built upon the OLI paradigm, which presents why (Ownership advantage), where (Location advantage) and how (Internalization advantage) an MNE is more likely to invest abroad (Franco et al., 2008).

This theory is relevant to the study in that it can conveniently explain the host country characteristics that can influence the performance of multinational companies. Firstly, the aim behind a firm with resource-seeking FDI is to invest in the foreign market as they want to take advantage of the different kind of resources e. g. natural resources and/or raw materials that are not available in the home market or at lower prices. A firm with market-seeking FDI will exploit new markets in the host country. This implies that a firm builds similar production facilities in the foreign market to satisfy and meet the local suppliers and customers' demand. Other factors that drive a firm under market-seeking FDI is also market size, market growth of the host country, exclusion of competitors in the new market, product adaption to local needs or tastes, and cost-saving of serving a foreign market from distance (Franco et al., 2008). The efficiency seeking FDI is considered to happen when a firm wants to reduce its operational costs e.g. reducing labor costs in the emerging countries, or any other advantages that lower business costs such as sufficient facilities (Franco et al., 2008). Finally, the last motive of FDI is strategic asset-seeking, which implies that a firm invests in a foreign market to gain intangible assets such as knowledge or competencies that do not exist within the firm, brand name or R&D capacities (Atterby & Brilkman, 2011).

Empirical Review

Harvey and Abor (2009) employed a logistic regression model to examine the determinants of FDI in Ghana using the manufacturing sector as a case study. Firm age, capital requirement in a sector, firm size, labour cost, and the level of technology were tested to establish their relationship with FDI inflows in the Ghanaian manufacturing sector. The study identified firm size, technological intensity, capital requirement, and labour cost as the significant motivators of FDI in the manufacturing sector.

Zhang (2011) conducted a panel data regression analysis to find out which factors significantly determine the increasing pattern of FDI inflows in China. Zhang considered 14 sectors with sector level data covering the period 1990-2008, and the measurable variables were market size, wage rate, employment by sector, and the degree of state ownership. The findings presented low labour cost and market size as the key FDI determinants at sector level in China.

Vijayakumar et al. (2010) conducted a panel data study to examine the factors that determine FDI inflows to BRICS countries using an annual dataset from the time period of 1975 to 2007. The chosen variables were market size, economic instability and growth prospects, labor costs, infrastructure facilities, trade openness, currency value and gross capital formation. To be able to execute the study, they used panel analysis, which included the fixed effects model and the random effects model. The results of this study demonstrated that market size, labor costs and currency value are statistically significant at the 1 percent significance level. Market size and infrastructure had a positive sign and labor costs had a negative sign. Furthermore, the currency value showed a serious negative relationship with FDI. This result can be interpreted as to be able to attract FDI in BRICS countries and the currency value needs to be stable.

Khachoo and Khan (2012) investigated the main determinants of FDI inflows to developing countries. 32 developing countries were sampled and the data covered the period over 1982- 2008. Panel regression methods were used. The dependent variables were gross domestic product (Market size), total reserves, electric power consumption, wage rate and openness (export plus import divided by GDP). The result shows that large market size, more reserves, good infrastructures and less labor cost have positive impact on FDI inflow to developing countries. The positive relationship between GDP and FDI inflow shows that country with large market size can attract more FDI. More reserves have also positive impact on FDI inflow to host country. In addition to these, good infrastructures are also the determinant of FDI inflow. Moreover, low labour cost can also motivate MNC's to invest in a country where there is low wage rate.

However, has shown that openness do not have impact on FDI inflow which is contrary to theories and to some empirical studies.

Demirhanand and Masca (2008) explore the determinants of FDI inflows in 38 developing countries for the period 2000-2004. Hierarchical regression analysis was employed in analyzing the data. They find that the positive and significant factors affecting FDI include income per capita growth rate, telephone main lines, and degree of openness. The inflation rate and tax rate have a negative sign and are statistically significant. Factors that emerge as insignificant in determining the inflow of FDI are labor cost and risk.

Agiomirgianakis, Asteriou and Papathoma (2006) undertook a panel data study for OECD countries in order to investigate the determinants of foreign direct investment. The study considered the following exogenous variables in the analysis: market size and growth, the level of development, urbanisation, human capital (secondary school enrolment ratio), agglomerations, economic integration, the trade regime, labour costs, exchange rate variability, political instability, and the interaction between foreign investor and domestic firms. Hierarchical regression analysis was employed in analyzing the data. Education and skills of the work force were found to be highly significant, as was infrastructure and market size.

In a paper from the IMF, Walsh and Yu (2010) investigated the determinants of foreign direct investment using the following exogenous variables: market size and growth, openness, the exchange rate, the extent of clustering behaviour (groups of foreign firms gather together due to linkages among projects or herding), political stability, financial market liberalization, and the quality of institutions (taking account of government and the level of corruption). Descriptive statistics and regression analysis were employed in analyzing the data. It was found that primary sector FDI is invariant to macroeconomic factors, while secondary FDI is strongly influenced by labour market flexibility and breadth of financial markets.

The empirical literatures reviewed revealed conflicting findings and most of the studies utilized purely economic characteristics ignoring other host country's characteristics like laws and regulations and availability of skilled labour thereby revealing a knowledge gap in these areas. Also, most of the studies reviewed were foreign and the few studies within the Nigeria context did not cover South East Nigeria, Enugu State to be precise. This study therefore, incorporated other host country characteristics not covered in the existing literature.

METHODOLOGY

The study adopted a descriptive survey design in the study. The study was carried out in Enugu State. The population of the study was made up of 45 management staff of Nigeria Breweries Ltd, and 30 management staff of Nigerian Bottling Company Ltd. Therefore, the total number of the population of study was seventy five (75). Since the population of the study is small and manageable, the researcher decided to study the entire population. Hence, the sample size for the study is seventy five (75). The research instruments used in the study was well structured questionnaire. The copies of questionnaire have two (2) sections namely; the Personal Data section (Section A) and the second section (Section B) was on the effect of host country characteristics on the performance of selected multinational firms in Enugu state. The data generated were analyzed using regression analysis and correlation analysis. Hypotheses one and three were tested using regression analysis while hypotheses two was tested using Pearson product correlation. The hypotheses were tested at 0.05 level of significance. The analysis of data was performed using SPSS package.

RESULTS

Hypothesis One

Ho: Market size has no significant effect on the growth of multinational firms in Enugu State

Hi: Market size has significant effect on the growth of multinational firms in Enugu State

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.806[a]	.650	.645	.60408	0.110

a. Predictors: (Constant), Market Size

b. Dependent Variable: Growth

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.064	1	48.064	131.711	.000[b]
	Residual	25.909	71	.365		
	Total	73.973	72			

a. Dependent Variable: Growth

b. Predictors: (Constant), Market Size

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.071	.159		-.447	.656
	Market Size	1.045	.091	.806	11.477	.000

a. Dependent Variable: Growth

The regression sum of squares (48.064) is greater than the residual sum of squares (25.909), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. R, the correlation coefficient which has a value of 0.806, indicates that there is positive relationship between market size and growth. R square, the coefficient of determination, shows that 65.0% of the variation in growth was explained by the model. With the linear regression model, the error of estimate is low, with a value of about .60408. The Durbin Watson statistics of 0.110, which is not more than 2, indicates there is no autocorrelation. The market size coefficient of 0. 608 indicates a positive significance market size and growth, which is statistically significant (with t = 11.477). Therefore, the null hypothesis was rejected and the alternative hypothesis accordingly accepted. Thus market size has significant effect on the growth of multinational firms in Enugu State

Hypothesis Two

Ho: There is no significant relationship between availability of skilled labour and profit of multinational firms in Enugu State.

Descriptive Statistics

	Mean	Std. Deviation	N
Availability of Skill Labour	1.8493	.95265	73
Profit	1.7808	.73118	73

Correlations

		Availability of Skill Labour	Profit
Availability of Skill Labour	Pearson Correlation	1	.879**
	Sig. (2-tailed)		.000
	N	73	73
Profit	Pearson Correlation	.879**	1
	Sig. (2-tailed)	.000	
	N	73	73

**. Correlation is significant at the 0.01 level (2-tailed).

The table above shows the descriptive statistics of the availability of skill labour and profit with a mean response of 1.8493 and std. deviation of .95265 for availability of skill labour and a mean response of 1.7808 and std. deviation of .73118 for profit and number of respondents (73). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables. The correlation coefficient shows 0.879. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant positive relationship between availability of skill labour and profit ($r = .879$). The computed correlations coefficient is greater than the table value of $r = .195$ with 35 degrees of freedom (df. = n-2) at alpha level for a two-tailed test ($r = .879$, $p < .05$). However, since the computed $r = .879$, is greater than the table value of .195 we reject the null hypothesis and conclude that there is a significant relationship between availability of skilled labour and profit of multinational firms in Enugu State ($r =. 897$, $P<.05$).

Hypothesis Three

Ho: Host country's laws and regulations have no significant effect on market share of multinational firms in Enugu State.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.698[a]	.487	.480	.71767	.888

a. Predictors: (Constant), Host Country Law and Regulation
b. Dependent Variable: Market Share

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.692	1	34.692	67.355	.000[b]
	Residual	36.569	71	.515		
	Total	71.260	72			

a. Dependent Variable: Market Share
b. Predictors: (Constant), Host Country Law and Regulation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.377	.173		2.185	.032
	Host Country Law and Regulation	.896	.109	.698	8.207	.000

a. Dependent Variable: Market Share

The regression sum of squares (34.692) is less than the residual sum of squares (36.569), which indicates that more of the variation in the dependent variable is explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. R, the correlation coefficient which has a value of 0.698, indicates that there is positive relationship between host country law and regulation and market share. R square, the coefficient of determination, shows that 48.7% of the variation in market share of multinational companies was explained by the model. With the linear regression model, the error of estimate is low, with a value of about .71767. The Durbin Watson statistics of 0.888, which is not more than 2, indicates there is no autocorrelation. The coefficient of 0. 698 indicates a positive significance host country law and regulation and market share, which is statistically significant (with $t = 8.207$). Therefore, the null hypothesis was rejected and the alternative hypothesis accordingly accepted. Thus, host country's laws and regulations have significant effect on market share of multinational firms in Enugu State.

DISCUSSION OF FINDINGS

The findings of this study were discussed based on the various study objectives. Hypothesis one was tested with simple linear regression, to determine the extent to which market size affects the growth of multinational firms in Enugu State. The result revealed that there is a significant effect of market size on the growth of multinational firms in Enugu State (r= 0.806; t= 11.477; < 0.05) and this finding is in line with these works Hayakawa, Lee and Park (2013) investigated the role of home and host country characteristics in foreign direct investment using firm-level evidence from Japan, Korea and Taiwan. The Result show host country with better environment for foreign direct investment in terms of larger market size, smaller fixed entry cost and lower wage attract more foreign direct investment. Erdal and Tatoglu (2002) examined the factors that may determine FDI inflows to the Turkish economy during the period of 1980 to 1998.The result shows that market size and trade openness are two variables that play important roles in attracting FDI inflows to Turkey. Nasir (2016) investigated market size, exchange rate and trade as a determinant of FDI in Malaysia. . The finding of the study shows that market size is positively correlated to foreign direct investment.

Hypothesis two was tested with Pearson product moment correlation coefficient, t**o** examine the nature of relationship between availability of skilled labour and profit of multinational firms in Enugu State. However the result There is a positive relationship between availability of skilled labour and profit of multinational firms in Enugu State (r= 0.879; p < 0.05). This work is in line with Agiomirgianakis, Asteriou and Papathoma (2006) undertook a panel data study for OECD countries in order to investigate the determinants of foreign direct investment. Finding show that education and skills of the work force were found to be highly significant, as was infrastructure and market size.

Hypothesis three was tested using simple linear regression, to ascertain the extent to which host country's laws and regulations affect the market share of multinational firms in Enugu State**.** The finding revealed that host country's laws and regulations to a large extent affect the market shares of multinational firms in Enugu State (r= 698; t= 8.207; p< 0.05). This finding is in line with Jadhav (2012) examined the role of economic, institutional and political factors that is attracting FDI in the BRICS countries. The result shows that rule of law, voice and accountability indicators promote firms outcomes.

CONCLUSION

Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global relationships when appropriate trade and active competition policies are in place. Multinational firms can stimulate competition in the local economy the ultimate outcome is improved growth prospects for the countries involved and greater integration with the global economy. The current wave of globalization and advancement in international trade has made multinational firms to expand their activities into an ever-growing number of countries particularly developing nations. In particular most of these enterprises have set up global production and distribution networks which supply goods to the entire world. Advanced economies, fast growing emerging market size, growth, availability of natural resources/raw materials, low-cost labor and favourable legal political environment among others are the main drivers of multinational firms to the host economy. The above mentioned factors will affect the income of the multinational firms positively.

Based on the findings of this study, it is recommended that multinational firms should invest in host countries with better environment in terms of larger market size and smaller fixed entry cost to enable them to make more sales and profit which will result to business growth. Also, multinational firms should invest in host countries with affordable labour cost and the quality of labour with high level of education in order to achieve productivity. Multinational firms should invest in host countries with favourable and friendly business laws and regulation and also abide by the laws in order to achieve successful business performance.

REFERENCES

Adeoye, M.O. (2012). Impact of business environment on entrepreneurship performance in Nigeria. *Computer Information System Development Information and Allied Research,* 4(4), 59 – 66.

Agiomirgianakis, G, Asteriou, D., &Papathoma, K. (2006). The determinants of foreign direct investment: A panel data study for the OECD countries. *Department of Economics Working Paper*: City University London.

Asika, N. (2001). *Understanding nigerian business environment*. First Edition, Lagos: Concept Publications

Atterby, J., & Brilkman, C. (2011). Determinants of Chinese and Russian Outward Foreign Direct Investments- Evidence from 2007-2008. *Magisteruppsats Uppsala University*. Retrieved Dec. 17, 2020, from http://uu.divaportal.org/smash/get/diva2:395294/ FULLTEXT01.pdf

Ayadi, F.S. (2014). Foreign direct investment and its determinants in developing economies: A VAR analysis of Nigeria. *Journal of Sustainable Development in Africa*. Retrieved Dec 17, 2020, from http://www.jsd-africa.com/Jsda/Vol16No6-Fall14B/ PDF/Foreign%20Direct%20Investments%20and.Folorunso%20Sunday%20 Ayadi.pd

Chawla, K., & Rohra, N. (2015). Determinants of FDI: A literature review. *InternationalJournal of Business and Management*, 3(3). Retrieved Dec. 17, 2019, fromhttp://www.theijbm. com/force_download.php?file_path=wp-content/uploads /2015/04/32.-BM1503-094.pdf& id=1325

Demirhan, E., & Masca, M. (2008). Determinants of foreign direct investment flows to developing countries: A cross-sectional analysis. *Prague Economic Papers*, 4, 356 - 369.

Dutta, N., & Osei-Yeboah, K. (2013). A new dimension to the relationship between foreign direct investment and human capital: The role of political and civil rights. *Journal of International Development*, 25(2), 160-179.

Elfakhani, S., & Mulama, N.S. (2011). Determinants of FDIs in emerging markets: The case of Brazil, China, and India. *International Journal of Business Management and Economics Research,* 2(2), 147 – 154.

Erdal, F., & Tatoglu, E. (2002). *Locational determinants of foreign direct investment in an emerging market economy: Evidence from Turkey*. Retrieved Dec. 21, 2019, from http://edoc.bibliothek.unihalle.de/servlets/MCRFileNodeServlet/HALCoRe_derivate_00005753 /fuatekrem.pdf

Franco, C., Rentocchini, F., & Marzetti. G.V. (2008). *Why do firms invest abroad? An analysisof the motives underlying Foreign Direct Investments.* Retrieved Dec. 9, 2019 from http://www.etsg.org/ETSG2008/Papers/Franco.pdf

Harvey, S.K. & Abor, J. (2009). Determinants of inward foreign direct investment in the Ghanaian manufacturing sector. *Global Business and Economics Review, 11* (2), 180 - 197.

Hill, C. W. L. (2001). *International business: Competing in the global marketplace: Postscript 2001*. New York, NY: McGraw-Hill Company, Inc.

Jadhav, P. (2012). Determinants of foreign direct investments in BRICS economies: Analysis of economic, institutional and political factors. *Procedia-Social and Behavioral Sciences,* 37, 5-14.

Khachoo, A.Q., & Khan, M.I. (2012). *Determinants of FDI inflows to developing countries: a panel data analysis*. *European Journal of Scientific Research*, 55(3), 388 - 393

Kim, Y. J. (2005). The impact of firm and industry characteristics on technology licensing. *SAM Advanced Management Journal, 70,* 42-49.

Litvin, D. O. (2002). The political economy of public enterprises. An Epitome of Contradictions. *Review of African Political Affairs*, 6(1-2): 56-70.

Liu, K., Daly, K., & Varua, M. E. (2012). Regional determinants of foreign direct investment in manufacturing industry. *International Journal of Economics & Finance,* 4(12), 178-192.

Maghori, E. (2014). Determinants of Foreign Direct Investment in Nigeria: Evidence from Co-Integration and Error Correction Modeling. *International Journal of Business and Social Science*, 5(6) 215 – 224.

Mallampally, P., & Sauvant, K.P. (1999). Foreign direct investments in developing countries. *Finance and Development: A Quarterly Magazine of IMF*. Retrieved Dec. 20, 2019, from http://www.imf.org/external/pubs/ft/fandd/1999/03/mallampa.htm

Nasir, A. (2016). Market Size, exchange rate and trade as a determinant of FDI the case of Malaysia. *American Journal of Business and Society*, 1(4), 227 – 232.

Niki, G. (2010). The impact of international business on the global economy. *Business Intelligence Journal*, 3(2) 119 – 129.

Otusanya, O. J., Lauwo. S. & Adeyeye, G. B. (2012). A critical examination of the multinational companies' anti-corruption policy in Nigeria. Accountancy Business and the Public Interest. Department of Accounting Faculty of Business Administration University of Lagos.

Resmini, L. (2000). The determinants of foreign direct investment in the CEECs. *Economics of Transition*, 8(3), 665 – 689.

Vijayakumar, N., Sridharan, P. & Rao, K.C. (2010). Determinants of FDI in BRICS countries: A panel analysis. *International Journal of Business Science and Applied Management*, 5 (3), 1- 13.

Walsh, J.P., & Yu, J. (2010). Determinants of foreign direct investment: A sectoral and institutional approach. IMF Working Paper WP/10/187 Asian Pacific Department.

Zhang, X. & Daly, K. (2011). The determinants of China's outward foreign direct investment. *Emerging Markets Review, 12* (4), 389-398.