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Challenges that Obstruct Ghana's Ability in Attracting Foreign Direct Investment (FDI)

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Abstract

The difficulties Ghana has in luring in such investments are highlighted by a study on Foreign Direct Investment (FDI) in Ghana. Previous FDI research frequently relied on general characteristics that did not take into account country-specific concerns. The report cites the key obstacles preventing FDI in Ghana as being education, taxing practices, political unpredictability, infrastructure, inflation, and public debt.

The quality of education in Ghana has improved through reforms, but the field has become politicized, which has resulted in ineffectual policies. The frequent changes in government provide ambiguity and significant policy changes that deter investment. By undermining investor confidence, inflation has a detrimental impact on FDI. Furthermore, the IMF found that Ghana's large public debt has negatively harmed FDI and undermined investor confidence.

To address these challenges, Ghana must avoid politicizing their educational system, reduce taxes on foreign investors, focus on building quality roads, supporting industries, control the purchase and sales of foreign currencies, and blocking the loopholes in collecting internal revenues.

The Ghanaian government has involved stakeholders in education to discuss policies before implementation in order to address these issues. Since 1992, recent initiatives have also contributed to a comparatively calm political environment, making Ghana a desirable location for investments. Investors also take security into account, and Ghana has earned a reputation as one of the five most tranquil nations in all of Africa and West Africa.

Foreign direct investment in Africa has been rising gradually, with Ghana attracting $47.73 million, ranking third overall and first in Central and Western Africa. Such investments result in technological improvements, knowledge transfer and acquisition, employment possibilities, investment capital, and financial stability.

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However, FDI can seriously threaten Ghana's economy if improperly managed.

The study finds that while taxation policies, infrastructural facilities, inflation, and public debt create substantial obstacles, education and frequent changes in government have a beneficial impact for FDI in Ghana. Understanding these factors is essential for overcoming the challenges and improving Ghana's capacity to draw FDI.

In Ghana, foreign investments are acknowledged as drivers for socioeconomic development; however, they must be implemented effectively to prevent pitfalls and guarantee beneficial effects on the Ghanaian economy.

Keywords: FDI, Ghana, Employment, education, taxation policies, political and frequent change of government, infrastructural facilities, inflation, and public debt.

Introduction

"Have you once thought of being independence of the world when you are going to work in the morning? Imagine Pacific Islander giving you your sponge and soap after you wake up in the morning and happened to be under the shower in your bathroom. Again, Frenchman gives you the soap when you reach out for the soap in the bathroom. Also, South American serves your cup with coffee when you leave to the kitchen for your morning coffee. However, you might be yarning for a tea and this is right served by a Chinese. You may moreover be yarning for chocolate drink in a hot day and your desire is best quenched by Ghana serving you with a chilled milo or chocolate drink. Nonetheless you meet your colleagues and a consensus is reached that requires a toast, within a twinkle of an eye the wine is ready by French –Speaking brewer in various kinds, not to talk about their adorable scented perfumes that would ignite and attract billions of spectators. You are 90% unlikely to be independent since your food, and clothing will all come from the world at large. The world has a way of creating networking between humans and the all other things in the world, so is this world's interrelated networking appreciable to human beings. Without humans recognizing this fact, we are all but a walking chaos.

According to Dr. Martin Luther King Jr., 1967, he shows how a country cannot be an absolutist considering trade. This is evidenced in the fact that whenever one stops by a shop and picks up item to buy, flipping it over to check its quality, we get the information we need and also get to know where the product was manufactured. We often see that the locations where the product was produced is not the same country where we purchasing the product from. Trade between countries has been in existence over the past years dating back as far as the barter trade system and then mercantilism took over in the sixteenth and seventeenth centuries. Not long after, mercantilism was criticized and opposed and then countries decided to start investing in cash and resources.

One of the progressive economies in West Africa has been Ghana over the past years. Most of the world's developed country's investments are conveyed to countries with a very good growing economy that hasn't benefitted from globalization. Investment in Ghana from the East and West is gaining recognition. Africa's biggest trading ally has been China providing demand for Africa's natural resources. China's direct investment in Africa has been increasing rapidly which seen most of the deals has taken the form natural resources especially minerals. According to (French, H. 2014), the article notes that China's non-observance for countries with unstable governing systems with their trade focused on natural resources is becoming a worry for the Wests' yet still Ghana is finding ways to continue their trade relations with China and the major economic players. Foreign direct investment in Ghana looks encouraging for the country considering the numbers. Ghana has experienced a major economic growth through foreign direct investment. To elaborate further, the new East and West relationship with Ghana seeks to promote development substitute to the earliest western style on fair market and commercial relations. Therefore, Ghana has looked to promote stability in the country by making available a substitute model for development by encouraging differentiation of products and competing in a different market mechanism. This paper looks at those challenges that debilitate against Ghana's ability to source FDI in Ghana. The main question of this research project is "What specific challenges does Ghana face in attracting Foreign Direct Investment (FDI)?"

Truly, the employment opportunities seen have been high in the informal sector compared to the formal sector. Therefore, to enhance growth and reduce poverty in the particular country benefitting from the foreign direct investment, the gap between targeted investments and domestic equity must be bridged. (Nahidi and Badri, 2014). However, development in Ghana has seen unemployment as a major concern. Improvements in economic growth have failed to affect employment positively with poverty rate still high about 29.3% hence unemployment is closely linked with poverty eradication. (Boakye–Gyasi, Kwasi, and Yao Li. 2015). Also, Ministry of Employment and Social Welfare of Ghana (MESW) in the National Employment Policy Report (2012) stated that about 9million of the total population of about 30 million live in poverty whereas 5 million are living in utmost poverty. Thus, poverty is still a major concern for the government in Ghana.

Research Purpose

The paper is seeking erase the wrong intuition that investments received in Ghana is to help just the poor and needy but rather both the country investing and the beneficiaries of the investment benefit at large. This paper in particular, look at the challenges Ghana faces in attracting Foreign Direct Investment (FDI), hence attracting potential and prospective investors to acquaint themselves with those challenges that restrict the flow of FDI in Ghana.

Significance of the paper

This paper or article would be beneficial to policymakers, students, economists, investors, business leaders, and other government officials to comprehend the importance of foreign direct investment and its awareness of continuous societal development. The paper will also help potential and prospective investors to acquaint themselves with those challenges that restrict the flow of foreign direct investment in Ghana. The paper or article will strengthen the factual and evaluative statements with regards to the impact of foreign direct investment. The article will again look at the impact of FDI on the economy of Ghana, with emphasis on employment, and industry. The article will continue to ponder on the challenges, countermeasures, and conclusion**.**

Research questions

These research questions are advanced to help the study achieve its stated aim;

1. What are the impacts of FDI flow from to Ghana on employment in Ghana?
2. What are foreign direct investment’s influences on the Ghanaian economy?
3. Which specific challenges obstruct Ghana’s ability in attracting foreign direct investment?

Literature Review

Several papers will be sorted, including articles, thesis, books, journals, and other works both published and unpublished in order to give a vivid account of the main problems to be solved.

FDI at a Glance

In the act of discovery of resource and demand has led to the creation of a new actor called FDI (Foreign Direct Investment). According to Cheung, Y. W., Chinn, M. D., & Qian, X. (2012) Beijing is undertaking huge investment in Africa due demand expansion, discovery of new resource, and diversification of risk. Also, (Donou-Adonsou, F., & Lim, S. 2018) notes that the volume of trade and project contracted by China are found to be important determinants. There is corruption, political instability and too many investment restrictions that hinder Africa's foreign direct investment. This claim also led Asiedu, E. (2006) examine the effect of market size, government policies, natural resources, political instability and the quality of Ghana's institutions on foreign direct investment. Results from his study is that huge markets and natural resources increases foreign direct investment but, a reliable legal system, less corruption, political stability, an educated population, good infrastructure and openness to foreign direct investment do have similar effects on the country. Foreign direct investment from China is to African countries with rich natural resources as evidenced. There have also been issues arising that the inflow of foreign direct investment from China to African countries rich in resources is a new form of colonization or a new way of exploiting these countries. According to Tsikata, D., Fenny, A. P., & Aryeetey, E. (2008), they argued that cooperation agreements between Ghana and China absorb a wide range of areas which includes diplomatic cooperation. Both countries have understood to support each other in situations regarding territorial integrity and sovereignty. Currently, increase in foreign direct investment from China is to enhance diplomatic and economic relations. African countries attract foreign direct investment into their economy to increase the level of employment yet still African countries are battling with employment problems. Using a robust regression model, results concluded that there is a direct effect on employment in the building and construction sector as a result foreign direct investment from the Chinese. This was according to Boakye–Gyasi, K., & Li, Y. (2015). Lots of developmental projects are taking place in Ghana with the aid of foreign direct investment from China, and thus 57 Chinese projects were embarked on in 2015, 65 in 2018 and 98 embarked on in 2020. This was according to (Frimpong, S. K. et. al., 2013).

Analysis of the Current FDI situation in Ghana

Cooperation between Ghana and China started as early as the 1960's. This was when both countries established diplomatic relations. This saw Ghana providing adequate support to the PRC and them also in turn supporting Ghana with material for development. Some of the support Ghana provided the PRC was; in 1960, the then Ghanaian president named Nkrumah pushed for the reinstatement of the PRC back into the United Nations. President Nkrumah went ahead to support the PRC during the Sino-Indian war which happened in 1962. China also supported Ghana massively by building Ghana's national theatre as a reward for the support Ghana offered diplomatically during the Tiananmen Square protest in the year 1989. There have been some very good relations between both countries since the early 1960's till date. Ghana's current government continues to cooperate diplomatically with China and China still supporting Ghana with materials for development.

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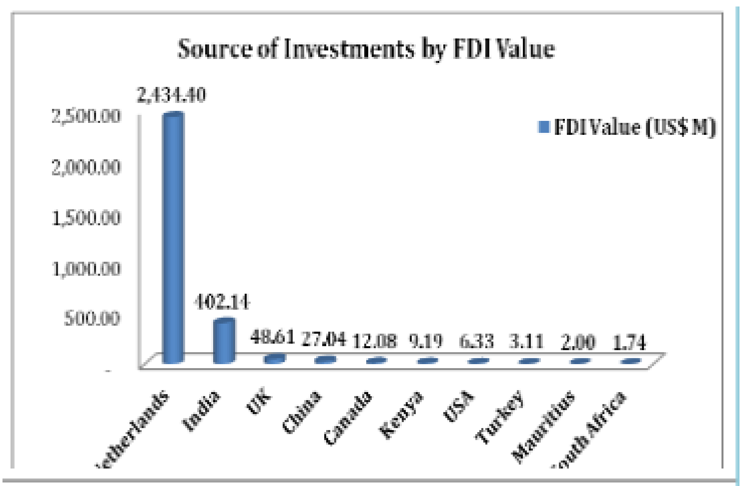
Direct investment and trade between Asia and Africa have been on the rise progressively over the past years and this is because of the inflows from India and China to Africa. Non-financial direct investment inflow from China into Ghana hit \$47.73 million, ranking 3rd in Africa and 1st in western and central Africa. Trade between Ghana and China alone saw an amount of \$7.3 billion, ranking 5th in Africa, whereas \$184 million was China's non-financial direct investment which ranked 2nd in Africa increasing China's investment to \$1.8 billion in 2017. As it stands, there is an infrastructure agreement between China and Ghana which is worth about \$2.3 billion. The infrastructure agreement deal grants the Chinese government access Ghana's resources such as bauxite which is a raw material for aluminum production.

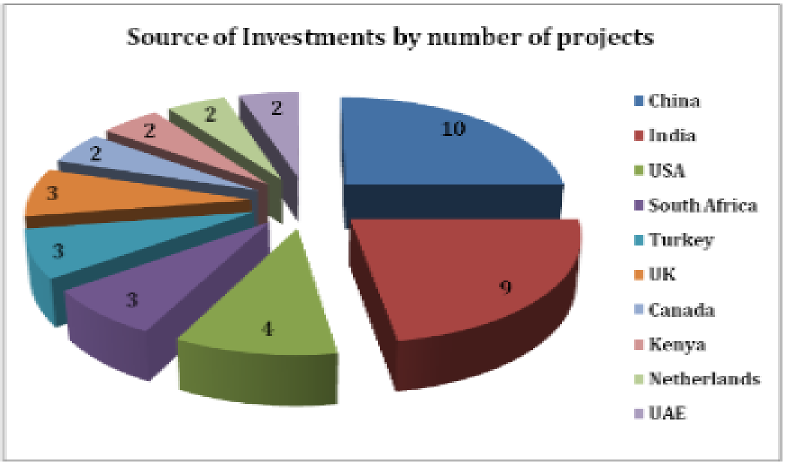
In 2019, 17 projects were embarked on during the 1st quarter. The projects are located in 8 regions of Ghana with Ghana's capital seeing 10 0f those projects. Distributing sector by sector, the building and construction sector recorded the highest number of jobs expected whereas the services sector also recorded 7 projects. Netherlands is the country with most total investments in value in Ghana at the 1st quarter of 2019 as shown fig A but as in fig B, by comparing the total investment in Ghana in the 1st quarter of 2019 considering number of projects registered, China tops it in Ghana.

Figure A: Foreign Direct Investments by Value



Source:Ghana's Investment Promotion Council, 2019 1st quarter report

Figure B: Number of Investments By Projects



Source:Ghana Investment Promotion Council, 2019 1st quarter report

Observations

There are several countries that are channeling their resources into the economy of Ghana in the form of Foreign Direct Investment. Among these are USA, the Netherlands, UAE, Canada, China, India, and among others. In considering FDI in value it was shown that the Netherlands invests hugely in the economy of Ghana as shown in figure one. The percentage of the total value of FDI flow in Ghana in 2017 is 97.4%. But the number of projects financed by the Netherlands in Ghana as compared to other countries dwindled with China emerging as the highest and followed by India. It can be concluded that China is the current leading FDI partner in Ghana.

Structural Adjustment Program (SAP)

After the execution of the World Bank's and International Monetary Fund's structural adjustment policies (SAP), the liberalized economy of Ghana managed to see rural banks established across the country and also entries of foreign or international banks into the country to facilitate big money transactions both domestically and across borders to squash away the issue of money laundering. (Dadzie Akaah, and Dunson, 1989, Winston and Afriyie, 2003, Owusu Frimpong and Mmieh 2004). To elaborate further, a comparative political stabilization and economic liberalization are pushed by world financial undertakings, communal enterprises with countries that are industrialized and improving foreign direct investment in these countries. (Mmieh and Owusu Frimpong, 2004).

The most contentious issue in African political economy in the 1980s has involved the relative appropriateness and impact of stabilization and structural adjustment policies required by the International Monetary Fund (IMF), World Bank (WB), and western capitalist aid donors as a condition for financial assistance. Such policies have involved, at a minimum: the reinvigoration of market forces through liberalization of domestic prices (ending controls), foreign exchange prices (devaluations, auctions), and trade; adjustment in relative prices (through devaluations) to provide incentives for exports and curtail "excess" demand for imports; reductions in government deficit spending that generated inflation; and a diminishment in state interventionist roles in production and marketing (Kraus, J. 1991).

According to Ghana PNDC Budget Statement and Economic Policy for 1991, following structural adjustment policies during 1984-90, Ghana's economy and society have recovered, in important senses, from years of deep recession, hyperinflation, and disinvestment. Ghana has had an average real growth in GDP of 5.7% per annum during 1984-89, or 2.7% per capita; GDP growth slowed to 2.7% in 1990. Kraus, J. (1991) asserted that although this growth was built on the base of a severely depressed economy, it is the longest - and only - period of sustained economic growth since independence in 1957. Nonetheless, a great many Ghanaians oppose the government's stabilization and structural adjustment programs (SAP), including intellectuals, students, workers and trade unionists, civil servants, many businessmen, taxi drivers, and the rising ranks of dismissed and unemployed workers, and many politicians now seeking democracy and the removal of the Provisional National Defense Council (PNDC) government of Flight Lt. Jerry Rawlings.

According to the Bretton Woods agencies the implementation of SAPs almost invariably leads to poverty reduction and bridges the gap between the rural and urban areas, and those countries that adjust tend to be better off than the non-adjusting ones (World Bank 1994). There exist main arguments which are often presented in support of this claim.

Firstly, failure to adjust will, ultimately impose huge costs on the poor, with unsustainable budget and trade deficits leading to hyperinflation, currency instability, and economic collapse (Watkins 1995). Secondly, SAPs, where properly implemented, have not only created conditions for growth, but growth that benefits the poor. The key contention is that state intervention in the rural sector, where a vast majority of the poor live, lowered prices, reduced market opportunities and thereby depressed household income. Rural market deregulation however raises prices and creates rural employment. In the urban sector, import liberalization makes local industries more competitive by allowing them to take advantage of imported technology. Therefore, liberalization, together with labor market deregulation, will lead to the creation of jobs (World Bank 1991; Watkins 1995, 78). And moreover, SAPs incorporate "social conditionality" and provisions that aim at protecting welfare service delivery in areas of concern to the poor (World Bank 1993; Watkins 1995). The World Bank claims that its central goal is poverty reduction, as is evidenced in an annual speech delivered to the board of governors in 1988 by then president Barber Conable. The address focused on the central goal of the bank: the reduction of poverty. Today's poverty scale prevents a billion people from having even minimally acceptable standards of living. Poverty destroys lives, human dignity and economic potential. (Quoted in Nafziger 1990, 99)

The past two decades has seen foreign direct investments to low income countries attract so much publicity. This is because of the total increase of foreign direct investment to these low income countries. However, just quite a number of these sub-saharan African countries have able to successfully attract foreign direct investment inflows into their countries. This paper will also assert Ghana's ways in attracting foreign direct investments into the country. Hence, the pressing issues going to be looked at in this paper is in three (3) different folds;

First of all, the paper will examine very important economic policies Ghana's government instituted since 1982 to 2002 to countermand the post-independence economic fall.

Secondly, this paper will go further to evaluate the current ways in which the structures implemented helped Ghana to foreign direct investment inflows in to the country.

Then, thirdly or finally, the paper also shares few of the difficulties that currently obstruct the attraction of value added foreign direct investment inflows in to the country. Qualitative examination of samples made accessible discloses that the execution of the structural adjustment program (SAP), the major economic reform structures has bought about a rise in quite a number of Multinational Corporation's investment in Ghana. This paper asserts that Ghana's structural adjustment program has had some extent of favorable outcome in most ways which includes the reduction in inflation, enhancement of an environment financially suitable, eradication of licensing necessities, re-establishment of sectors that were formally shut down and also doing away with trade tariff barriers or hindrances that interdict foreign direct investment inflows into Ghana. Putting an end to exchange controls and also minimizing ways available for foreign exchange black market. Despite all these development discussed, Ghana's foreign direct investment inflows into the country is still been hampered or faced with serious challenges or difficulties.

Major Areas Foreign Direct Investment is Aimed at Improving

Employment at a Glance

There is no universal definition of the term employment. There are several dimensions of employment which makes is difficult to define. The concept of employment has been a big challenge for most researchers and academic writer, their understanding of employment emanates from both their academic background and directions. According to Emmanuel, D. (2020 Thesis paper) employment from the layman's man view can mean the idea that an individual has entered some form of verbal or written commitment with an entity or company, known as the employer, under certain stipulations and agreements such as payment terms, responsibilities, rules of the workplace schedule and all forms of conditions of work. He (Emmanuel, D. 2020 Thesis paper) again put employment to mean a means or act of being hired by a company which leads to a kind of relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee. Employees of companies work in return for payment, which may be in the form of an hourly, daily or monthly wage, by piecework or an annual salary, depending on the kind of work an employee does for the sector of firm that employed him or her. Taking into account workers in particular working conditions gets several types of reward. These rewards may be in the form of basic pay, salaries, wages and other incentives and bonuses such as performance related pay, share options, and cash and cash equivalents. Employees in some terrains of work receive their gratuities and wages in bonus payment or stock options and pension. In most companies, employees are given the nod to use the company's assets such as company van, gym, swimming pool, Spa, and among others either at fee far below the commercial fees and at no fees at all. It can be deduced from the above that companies provides its workers with both cash (tangible) and in kind (intangible) benefits.

Lauterbach, A. (1977) conducted a research into Employment, unemployment and underemployment, a conceptual re-examination and asserted that employment and underemployment have become of the world's major problem, especially in early industrial countries. He made a great zeal in conceptualizing employment. He defined employment from the following directions; economic, sociological and psychological.

Employment from the point view of Economic activity: The first most important thing that comes to mind when you are employed is money. Employment as conceptualized under economic activity must be financial in nature. In view of these employers pay employees' salaries and wages, bonuses, overtime and other monetary or financial incentives. Most employees tend to pay much attention to economic perspective of employment since this perspective of employment can help create of secure the latter two perspective of employment.

Sociological concept of employment: Most people trade a huge part of their time working at the office since in most societies much regard is given to those who get up in the morning and spent almost the day at the office. The opposite can be true of other societies where entrepreneurial ability is keenly encouraged. In Sociological concept of employment, people or employees are much concern about the recognition that the society gives to them. In certain societies people who are jobless are given less recognition as compared to those in the working force and even within the employment force such recognition is variable.

Psychological concept of employment: According to Lauterbach, people classified under Psychological concept of employment may feel detached when they are unemployed. They may also feel inferior as compared to those employed.

Most of the foreign direct investment that flow to Ghana from major investor are hugely channeled into general trading, construction & building, and manufacturing arena of the Ghanaian economy. This fact has been confirmed by Tang, D., & Gyasi, K. B., (2012) where they find that more or 80% of Ghanaian foreign direct investment have been predominantly channeled into the general trading, manufacturing, building & construction areas of the Ghanaian economy for over five years. According to Tsikata, D., Fenny, A. P., & Aryeetey, E. (2008), foreign direct investment in areas such as logistics, consumable goods, industries, agriculture, and banking areas will spur as the economies of foreign direct investors grow. This may negatively affect developmental activities in other economies that are not experiencing a similar growth in their countries. Tsikata, D., Fenny, A. P., & Aryeetey, E. (2008) posits that there may be keen competition in the world market for producers and production companies as the economies spurs. The quest to know whether China is dominating Africa in terms of foreign direct investment was researched by Donou-Adonsou, F., & Lim, S. (2018). They examined how foreign direct investment from China affects the economic development of the host countries in Africa and this was done in consideration of other foreign direct investment players in the host country such the Netherlands, France, US, and UK. They investigate whether Beijing's continual attachment to Africa affects the old relation between these other foreign direct investment players in Africa, 36 countries as the sample variable were used over the period of 2003 and 2012.

Foreign direct investment over the years from China and western countries such as US and Germany has rapidly increased income earnings in Africa. It was also realized that the Chinese investment levels in Africa supersedes that of the United States investment and a country like France is also doing amazing in terms of investing in Africa and we can boldly say they are on par with China. Therefore, there is high demand for resources in Africa which creating competition with the United States rather than with France. Donou-Adonsou, F., & Lim, S. (2018)

The most important reason for attracting foreign direct investment in Africa or any country in particular is to create employment for the country's citizens. Foreign direct investments from countries such as the United States, France and China mainly has aided in generating employment in Ghana.

Foreign direct investment inflows recorded a figure of about $5.19 billion which amounts to an 85% growth compared to the $2.89 billion registered in the 2018 period. Foreign direct investment inflow from China has seen 182 new projects been embarked on and when completed at the maximum capacity, 9,539 employment opportunities are going to be created for the people of Ghana. Ten out of currently sixteen regions have benefited at first hand from these projects and these regions are the eastern, western, ashanti, central, volta, northern, greater Accra, oti and brong ahafo region. Majority of these projects are in the capital city of Ghana which is Greater Accra. This is according to the Ghana Investment Promotion Centre.

According to an article by (Massoud, 2008), foreign direct investment is a major catalyst and plays an important role in world economic development. He also states that foreign direct investment issues has been the most researched paper considering the impact it has on a country's economic development.

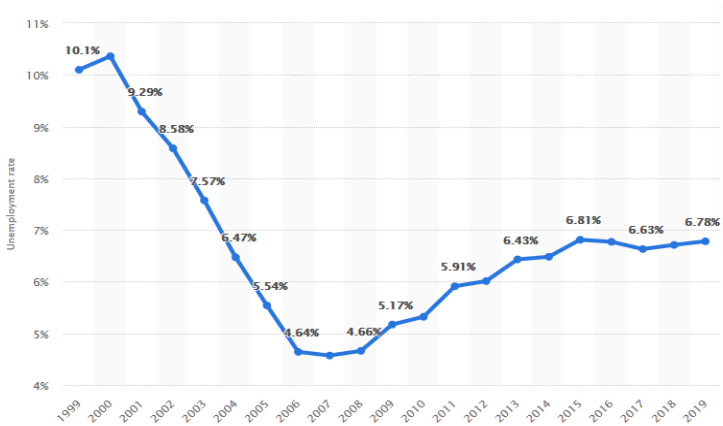
Foreign direct investment is believed to be a solution to the problem of unemployment in both developed and developing countries at large which impacts the stability of the economy negatively. Economists believe that foreign direct investment can aid in attracting financial support to enhance the shortage capital in both developed and developing countries especially. There are lots of benefits foreign direct investment brings into a particular country of which some are mainly creation of employment and increased capacity to produce to promote the growth of relevant economies and industries to aid in economic growth of a particular country. Foreign direct investment directly affects employment when investments inflows from other countries are beneficial and against the comparative advantage of the host country's domestic labor. The trade theory states that foreign direct investment improves allocation of resources which can enhance rise in levels of labor productivity and also a growth in employment.

It will be an error if countries copied rather than relying on each other to solve problems relating to foreign direct investment since each country has different economic structures Chen (2012). Still on the theory, the host country in which a foreign firm is working can directly affect the levels of labor. However, the host country can also be affected indirectly if there is a growth in allocating resources of foreign direct investments with regards to employment creation. The host countries of foreign direct investments can also benefit from mastery and expertise to enhance labor productivity via the pass on of resources to boost the host country's employment (Mahdavi and Aziz, 2004). But, employment might also be affected negatively when foreign direct investment is connected to amalgamation of production units used for step up in development projects (William, 1999).

Studies conducted by George, James, & Peter, (2013) insinuates that regardless the significance of foreign direct investment inflows, shifting to other developing countries in the world especially African countries has seen serious decline during the past years which implies that attracting foreign direct investment has improved as international countries suitable for investment seek to provide convenient environment for international investors which has seen Ghana not been an exception to pursuing all sorts of reforms and trade relaxation systems in order to be efficient in the international monetary markets.

Also, George, James, & Peter, (2013) engaging the backsliding, studies the results of the article and pinpoints the rate of changes in these views which are as follows; change openness, change rate, natural resources with infrastructures as influencers of foreign direct investment in Ghana.

Ghana: Unemployment rate from 1999 to 2019



Source: Ghana, World Bank. Statista 2020

The diagram below shows the current situation of unemployment rates in Ghana. From the diagram, it can be seen that there has been a drastic fall in the unemployment level from 1999 to 2006 (10.1%-4.64%). But the unemployment rate has been increasing at a decreasing rate from 2007 to 2019.

Multinational corporations, governments, individuals and nations are all advocates of foreign direct investments as they tend to benefit a lot directly and indirectly from foreign direct investments. Investments made in and outside by countries or nations are very important for a country's economic revolution development of a nation. Countries that are now developing lately explained or identified economic development as a major objective for enhancing their domestic economic structure, and therefore we can comprehend that world foreign direct investment inflows improved by 45% to USD 2,379 billion in 2010 (UNCTAD, 2008). But, Africa is still attracting sizeable amounts of foreign direct investments inflows across the world due to good structural and institutionalized reforms and execution of good investment policies. Continuous globalization and redistribution allotment of wealth and capital amongst countries with the project of world competition (Joseph 2015) is the reason for rapid foreign direct investments. Growth in foreign direct investment is nonetheless not only due to global proliferation, however due to constant decrease in foreign help and developmental assistance from the developed nations like India, UK, USA, Netherlands and China to least developed nations and developing nations. It is extensively emphasized that foreign direct investment will by all means enhance economic development and corporation into the global economy (Samuel 2012). Foreign direct investment has been recognized as an important fount of capital and significant indicator of the issue extreme poverty. The investment can be in shape of foreign direct investment and local with a nation's economy. (Dr. John 2005). FDI inflow could be movement of capital across borders. The IMF in 1992 stated that and I quote " foreign direct investment is a cross border investment made by a particular country's direct investor with the idea of establishing continuing interest in the other country's incorporated undertaking". The stance and value of foreign direct investment was the main topic of debate concerning which government policies are suitable to change the previous socialist world's scrawny public owned into fierce market systems.

In the year 2000, Ghana's manufacturing sector aided in contributing about 35% of the country's Gross Domestic Product employing about 17% of the labor force. The recognition of extensive scope of manufacturing industries, food production, textiles, clothes, chemicals and pharmaceuticals, metals such as steel and steel products are all due to the strategy of industrialization. Most of these industries began as public owned ventures; however, most of them have been privatized now. Considerable mineral reserves such as minerals are seen in Ghana majority of it exported. The country Ghana can boast of a chunk manufacturing industries that has been established long ago aside the local industries like the food processing companies. Textiles, drinks, food, plastics aluminum processing and vehicle assembly are the large and medium sized manufacturing sectors Ghana can boast of. Most of these companies are Lebanese owned however big multinational corporations like VALCO and UNILEVER also operate factories in Ghana. Nonetheless, trade liberalization unfolded to foreign competition in 1980s and most of the factories have been shut down which has led to massive job losses.

Ghana's foreign direct investment inflow is targeted at improving certain areas. Furthermore, the study elaborates how the country benefits from foreign direct investment targeted at these areas and also discusses how if these areas are not improved can become challenges or hindrances even if the country manages to attract foreign direct investments.

Acquisition and Transfer of Knowledge

Through foreign direct investment, a country also benefits from intellectual encroachment. When we talk about intellectual encroachment, 2 types can be discussed and they are the internal intellectual encroachment and external intellectual encroachment.

Internal intellectual encroachment happens when there is a direct influence of skills or knowledge between individuals in the same institution in production processes be it services or goods whereas external intellectual encroachment happens when knowledge or skills impacted positively is linking individuals outside of the organization. (Carlino, Gerald A. (2001). Marshall Arrow Romer (MAR) encroachment, Porter encroachment and Jacobs encroachment are all types of encroachments. Intellectual encroachment has related directions. Thus, the main establishment and beneficiary and solution finders generate outgoing and incoming encroachments. Using the survey conducted by Cassiman and Veugelers (2002), the report evaluates outgoing and incoming encroachments and studies the impact it has on the economy. Incoming encroachment enhances the development opportunities and productivity enhancement of beneficiaries whereas the outgoing encroachment brings about the issues in the technological contention.

Using econometric method to check incoming encroachment by Chen et al. (2013) as a means for all firms and not using a survey. They concluded that incoming encroachments elaborates research and development profits of the industrial firms. There is always intellectual encroachment during the period of foreign direct investment deliberations which tells the rate at which ideas were exchanged during the deliberation process. Intellectual encroachment boils down from knowing-how technology studies exhibited the elements which reckon 30.19% of total variance of avenues for optimizing foreign direct investment on a particular host country. Three elements of intellectual encroachment as factors are: foreign direct investment equips employees with training programs, new innovations in operational engagements and also recently developed financial tools; foreign direct investments increases corporate tax revenues in a host country; and also foreign direct investment brings about improved management, accounting and legal assistance with good implementation. The 3 elements have soaring factors of 0.932, 0.763 and 0.876 in accordance. According to (Babatunde, S. et al., (2018) Alfaro (2014) evaluated that foreign direct investment includes technology, capital, and expertise. Encroachment mechanisms involve direct skills pass on via partnerships, the chance to learn from transformation and experience of foreign firms and interactivity in the labor markets. All these are important for developing to modernize, grow and bring about job creation to eradicate poverty in the host country.

New Capital for Investment

Academic investigation into factors of growing economies on the other hand has fundamentally analyzed the major causality of capital structure; however the likelihood of sectorial changes interactivity with industry execution hasn't been comprehensively checked. We analyze the assured way of lessening impacts of sectorial changes on the industries capital execution in accordance with growing economies. (Abor and Biekpe 2006). I chose Ghana as my study area due to the country's attribute of the sub-saharan region in which industries have come across capital restrictions or limitations, an attribute which makes capital for new investments specifically relevant. Conscious of report restrictions immanent in growing economies studies, this paper analyzes report on hundred biggest industries or firms in the Ghanaian economy from 1996 to 2018 as put together by the Ghana Promotion Investment Centre (GIPC).

Ghana receives so many foreign direct investments from China amongst the different investments inflows every year. As stated earlier on, China has been the major investor in Ghana's economy over the past year notwithstanding China's low contribution in foreign direct investment value, China's projects embarked on have always been much when comparing to other country's foreign direct investment into Ghana. Babatunde, S. et al., (2018 capital for new investment accounts for 29.73% of the absolute variation of any kind opportunity in optimizing foreign direct investment on the host country. The 4 elements employed in the study are; risks associated are minimized; foreign direct investment minimizes discrepancies existing between costs an revenue, particularly when they are calculated in another currency; foreign direct investment permits diversification and also it permit fast execution. These 4 elements have a soaring factor of 0.735, 0.825, 0.645, and 0.593 in accordance. Hence, it is suggested that 1 cause policy makers continue enhancing foreign direct investment in developing countries is because of the lack of capital for new investment initiatives and hence, foreign investors supply provisional capital when they establish new ventures in the domestic markets.

Diffusion of International Technology

International technology diffusion affects both the distribution and the growth of world incomes. First, whether countries, incomes converge over time or not turn on whether technology diffusion is global or local (Agrawal, A., and A. Oettl 2008). A better understanding of technology diffusion therefore provides insights on the likelihood that certain less developed countries will catch-up to rich countries. Second, strong cross-country diffusion of technology will generally raise the rate at which the world's technology frontier advances, so technology diffusion has not only distributional but also efficiency implications (Alfaro, L., and A. Rodriguez-Clare 2004). Multinational companies operate in different countries. They undertake heavy research and development programs and such R&D comes in a form of investment in technology. There is a technology spillover when the affiliate companies in other countries engage the indigenes or the locals in such research and development programs. Branstetter (2006) examines the patent citation pattern of about 200 Japanese firms for the years 1980 to 1997. He finds that Japanese firms that have a relatively large number of affiliates in the United States cite U.S. patents to a greater extent than Japanese firms with fewer affiliates located in the United States. This finding is strongest for Japanese R&D and product development facilities in the US. While Branstetter (2006) does not model the reason for the location decision of Japanese firms, he controls for technological proximity which reduces endogeneity concerns. Researchers have also provided evidence on technology sourcing through FDI in terms of effects on firm-level productivity growth (Griffith, Harrison, and van Reenen 2005). In Eaton and Kortum (2002, 2001), the authors have combined the structure of technology diffusion in Eaton and Kortum (1999) with the Ricardian model of trade due to Dornbusch, Fischer, and Samuelson (1977). In Eaton and Kortum's model, trade augments a country's consumption possibilities for the classic Ricardian reason: trade gives access to foreign-produced goods or, implicitly, their production technologies.

Flexibility During Financial Predicament

The situation reports for a 17.90% of the absolute discrepancy of chances for fully optimizing foreign direct investment on the host country (Babatunde, S. et al., (2018). With this, we can only discuss 1 element which is, foreign direct investment has proven to be flexible during these financial predicaments with soaring factor in value of about 0.971 and many developing countries considered it as an individual inflow of capital of choices. Loungani and Razin (2002) evaluated that, East Asian countries exceptionally saw foreign direct investment stabilized during the world financial predicaments in 1998-99. In 1995-96, flexibility of foreign direct investment was seen at the time of the Mexican predicaments in 1980s saw the latin American debt predicaments.

Considering foreign direct investment inflow into Ghana, so many elements of foreign direct investment is considered which the amalgamation is of local currencies and foreign currencies. Foreign direct investment component values and local currency values adding up to the total evaluated value of investment in a particular period of time is investment made in Ghana according GIPC. But, the paper is seeking to make available the exact details of the values of foreign direct investment elements and the domestic component as foreign direct investment inflow into the Ghanaian economy comes joint enterprises and solely owned ventures by foreign investors, especially looking at Ghana's foreign direct investment inflow from China and how the inflow has affected employment levels in the manufacturing sector of Ghana.

Due to the funds generated by foreign investors and their Ghanaian associates in the instances of collaborating enterprise investments, evaluated absolute value amount is inside the foreign direct investment component. Nevertheless, the sum total of the foreign direct investment elements and domestic currency element equal to the absolute foreign direct investment amount seen.

Disintegration of the absolute figures generated from 2014 to 2019 is founded on sectorial dissemination within the sectors grouped by the GIPC which involves categories such as mining, gas and oil services, ICT and the financial sectors. GIPC (Ghana Investment Promotion Centre) saw an estimation of about US$29,033.769 million of foreign direct investment inflow into the economy of Ghana between 2014 and 2019.

FDI figures from 2014 to 2019 to Ghana breakdown

Years	**FDI element ($M Million)**	**Domestic currency element ($Million)**	**Absolute FDI figures ($Million)**	**% share**
2014	2,347.75	231.12	2,451.28	19.0
2015	2,129.8	362.11	2,560.72	14.1
2016	2317.7	135.05	2228.23	10.0
2017	3,672.17	125.35	4,715.6	18.53
2018	5,773.5	319.11	3419.22	17.51
2019	5,233.19	234.75	3,710.30	19.16
Total	21, 474.11	1,407.49	19,085.35	98.3

Source: Author's calculations on the report from the GIPC

Absolute value of foreign direct investment has been grouped into foreign direct investment element and domestic currency element on yearly basis. It is without doubt that foreign direct investment inflows of investment are most often from developed countries and a few developing countries like India and China to most under developed nations in Africa. Ghana most often attracts its foreign direct investment from the Asian countries of which is the leading investor then after is India. Nonetheless, in terms of financial support or monetary support Netherlands leads in this area of financial or monetary value of foreign direct investment projects. Ghana has seen a major decrease in the foreign direct investment from the United States and United Kingdom but the European continent however is the biggest source of foreign direct investment inflow into the economy of Ghana.

According to studies conducted by Boakye–Gyasi, K., & Li, Y. (2017), his study scrutinizes the foreign direct investment inflow into the country and a few chosen countries involvement seen during the periods of 2010 and 2020. Considering quantitative report, the paper depicted the chosen countries were more involved in manufacturing, building and construction, agriculture and the services sector in terms considering the size of foreign direct investments and projects in comparison to other sectors of Ghana's economy as a result of stimulus connected to important economic sectors. Employment creation as a result of chosen countries such as US, China, India and South Africa's percentage share of local or national employment increased compared to that of foreign employment as a result Ghana's investment law that permits investors to a minimum capital of $300,000 to employ minimum of 10 Ghanaians for any foreign employee hired. This is a deliberate attempt of the government to increase the rate of employment in Ghana as it is so with most countries, both developed and developing.

It is often difficult to explain the effect of FDI on development within a sound framework, unlike the well-established theoretical approaches on the effects of FDI on growth. There are specifically two reasons behind this argument. (1) Any mathematical and theoretical models have not been developed yet in development economics that would be comparable with the economic growth models. (2) It has not been agreed on in the development literature yet how to model development with FDI. Even worse there is no any consensus simply how to measure the development level of a country in the literature. It is beyond the scope of this study the discussion of building up a better development index. The Human Development Index (HDI) developed by the UNDP is a widely used index in the development literature not only because it is a comprehensive one but because it provides an objective well-being measure available for almost all countries in the world, including the least developed ones (Stiglitz, 2006). There are three equally-weighted dimensions to human development index which measures the average development of a country with respect to: (i) the economic performance through per capita income, (ii) the education index measured by the adult literacy index and the gross enrollment combined index, (iii) the health index measured by life expectancy (Dias et al., 2006, p. 1027). Productivity gains and economic growth spurred by the capital widening and the capital deepening effects of FDI basically provide governments more room to invest in infrastructure, education, and healthcare systems. Put differently, a higher per capita income level for the residents of a host country implies that individuals can afford more on education and health expenditures. Government and individual suggest that more FDI would lead to a higher per capita income, an improved education index and a longer life expectancy for a host country. It can therefore, theoretically be concluded that it is expected that FDI would make a positive effect on all three dimensions of the HDI. It was asserted by Reiter and Steensma, (2010) nonetheless, researchers may use the HDI to examine the development effect of FDI in host countries. It is assumed generally that the effect of FDI leads to a bigger GDP size that increases the share of an average household in GDP in a host country. According to Deininger and Squire (1996) economic growth helps poor by increasing their income share in a sample of 108 countries. Again, the findings of Dollar and Kraay (2004) support this argument that economic growth help poverty reduction and improve the well-being of residents. Stiglitz (2006, p. 44), “a successful development means sustainable, equitable, and democratic development that focuses on in increasing living standards, not just on measured GDP”. Simply put, “development is no longer seen primarily as a process of capital accumulation but rather as a process of organizational change” Hoff and Stiglitz (2001, p. 389). A country may have an improved and more productive organizational structure due to spillovers (e.g. imitation, skills and technology transfer) stemming from FDI an increased foreign presence in a host country, organizations (including private and public institutions).

The transfer of knowledge and technology together with FDI into a host economy is come about through capital deepening effect. According to OECD, (2002) it is means that multinationals bring capital along with advanced technology and effective managerial systems to maximize their profits in host countries. As FDI takes place productivity levels tend to increase that ultimately increases per capita income both in the short and in the long-run which is the basic yet important reasoning. FDI affects growth among different growth models through difference mechanisms. (i) In the neoclassical growth model of Solow (1956) FDI may prevent capital falling into diminishing returns due to the existence of continuous contribution to the technology growth. (ii)The AK growth model of Frankel (1962) and Romer (1986), which constitutes the first wave of endogenous growth models, claim that FDI generates learning by doing externalities that gives a rise to the technology growth and therefore economic growth. (iii)The product variety model of Romer (1990) argues that productivity and economic growth come from expanding the variety of specialized intermediate products” (Aghion and Howitt, 2009, p. 69). FDI expands the variety of specialized intermediate products by bringing foreigners' intermediate products into a host country which would result in a higher economic growth as claimed by these proponents. The host country researchers moreover would be more likely to invent new intermediate products due to the spillovers from FDI. And lastly, according to the Schumpeterian model of Aghion and Howitt (1992) growth comes from the improvement of the quality of the existing types of capital goods in a country. An open economy therefore would transfer the innovative technology and the new quality improving mechanisms with FDI that would foster productivity growth and economic growth.

In the accounts given above, it can be seen that FDI flow into Ghana creates employment in the Agriculture, Manufacturing, Building/Construction, and Service sectors. The ripple effects have also been demonstrated by using the four main groupings by Babatunde, S. et al., (2018). The four groupings show how FDI influence economic development of a country. It can be seen that FDI flow to Ghana improve the economy of Ghana and hence greater effort must be put in attracting more FDI into Ghana. To continuing enjoying the various advantages associated with FDI such as employment creation, improving the per capita income, removal of trade barriers, the government of Ghana must be concerned with those variables that are key in attracting and sustaining FDI flow into Ghana and nonetheless, look for new ways of turning or converting FDI impediments into opportunities. In view of this, the study specifically looks at the various elements that impede Ghana's ability in attracting FDI.

Research Methodology

The research utilizes one main approach. This approach underpin this paper and production of quality information and data that helps to highlight the various obstacles hindering FDI in Ghana. This method is the desk review of existing literature. The desk review of existing literature involves the review of the policies, initiatives, programs, and projects published online by both government and non-governmental bodies including the Ghana Investment Promotion Authority, ministry of mines, and the Ghana Chamber of Mines. This study is qualitative in nature and focus on the obstacles that obstructs Ghana's ability to secure FDI and the countermeasures to these obstacles.

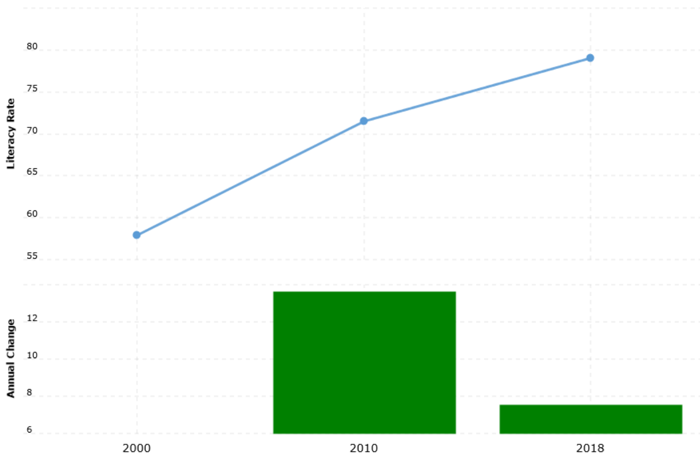
Challenges that Obstruct Ghana's Ability in Attracting FDI

This is the main problem or the idea of the paper. The study examines some elements to show whether they are challenges facing Ghana in attraction FDI. There has been a concurrence which induces that culture basic or foundational dissimilarity affecting the attitude of marketers' in instances analogous to their influence on the behavior of consumers (Omar et al., 2003). The introduction of the new era of 'globalized village' with accompanied convey of foreign direct investment from industrialized economies into African countries insinuates that comprehending and valuing African culture is not a choice but an essential requirement. (Nwankwo, 2000). Also, according to Iguisi and Rutashobya (2002), the absence of good combination of culture in management in Ghana is repulsing Ghana the expectant collaboration Ghana needs in national economic, social and development in management. In times of economic interdependency in Ghana and Africa as a whole which is pushed by world financial businesses and partnered enterprises amongst businesses in the industrialized and growing economies in Africa not forgetting the desirability or attraction of foreign direct investment into growing economies, it's kind of shocking to see that just some moderate or little information is recorded or reported with regards to African culture and it's connection to business-to-business marketing operation. (Ofosu and Hansen, 2002; Mmieh and Owusu Frempong, 2004). Furthermore, as a result of the introduction of African Growth and Opportunity Act (AGOA) by the United States Congress in 2001 and the current G8 (i.e the club of the eight industrialized democratic countries) debt pardoning deal, markets or economies in Ghana and Africa are now opening up as growing economies for foreign direct investments. Multinational corporations are expectant of a sizeable increase in revenue coming from developments from new markets and developing countries. International firms or industries looking for new avenues outside their Asian-Pacific economies will by all means contemplate on Africa as the prospective market first. (Steenkamp 2006). Therefore, we cannot consider just the cultural aspect of doing business in Africa, it must be blended with fundamental western foreign direct investment challenges or difficulties and so the following elements are carefully examined whether they are the main challenges or difficulties facing Ghana in attracting Foreign Direct Investment or not and these are education, taxation policies, political and frequent change of government, infrastructural facilities, inflation, and public debt. I am of the view that both Ghana's cultural ways, to be specific, disregard for cultural values and the difficulties or challenges explained below are hindering Ghana from easily and successfully attracting foreign direct investment the way they should have.

Education

Education is said to be the bedrock of every country. The hallmark of every government is to ensure that there exists better and quality education in his country. Without good and quality education the economy of such nation is most likely to be jeopardized. Education started in Ghana during the pre-colonial era where the bookish form of education was predominantly in Ghana. The education in the colonial era was bookish, thus it teaches people how to read and write without educating the heart of the people. As a great Philosopher Aristotle once said "educating the mind without educating the heart is no education" since quality education means not only educating the mind but also the heart, the Ministry of Education (MoE) and the Ghana Education Service (GES) have and are putting plans in place such as providing quality inputs and delivery in the educational process to help achieve excellent outcomes in education. The recent reform in the educational system of Ghana is the teacher licensing exams. This exam is required of every teacher who wants to teach in government schools from kindergarten to high schools. A person is qualified to teach in the universities in Ghana if he or she has a PhD and above degree in the relevant field. For FDI to flow smoothly into a country, such country must have a strong and quality education in writing, reading and also vocational and practical skills.

Figure 9: The literacy rate in Ghana from 2000 to 2018



Source: The World Bank

Most countries are currently educating its populace on things that were previously unimportant. Example, China is or now has most of its populace learning English language; most African countries are shifting from the primitive ways of farming to a more technological driven one. Hailu, Z. A. (2010) examined demand side factors affecting the inflow of foreign direct investment to African countries and asserted that the degree of human capital development has a favorable impact on FDI inflow in terms of ensuring adequate supply of skilled labor. High labor force count alone does not make a country attractive for FDI unless the labor force has all the qualities (qualifications) it to engage in the potential investment area. A more educated labor force can learn and adopt new technology faster and is generally more productive. Therefore, this factor is expected to have a favorable impact on FDI inflow. In the case of Ghana, even though Ghana have made significant improvement in raising the literacy rate and improve the skills needed in the labor market yet a majority of its citizens are still below the need skill set need to attract FDIs.

In the above chart, it could be seen that the literacy rate in Ghana is as high as 79.4% which is a good sign. The adult literacy rate is the percentage of people ages 15 and above, who can both read and write with understanding a short simple statement about their everyday life. Thus, literacy rate for 2018 was 79.04%, a 7.54% increase from 2010, literacy rate for 2010 was 71.50%, a 13.6% increase from 2000, and literacy rate for 2000 was 57.90%, a 7.9% increase from 2012. Education in Ghana is pivoted on providing a holistic and quality approach to education by creating well-balanced individuals with the requisite knowledge, skills, values and aptitudes for the purpose of self-realization and for the socio-economic development and political transformation of the country. In order to make this possible, the individual being educated should be developed intellectually, psychologically, spiritually, emotionally, physically and intuitively in order to positively contribute towards national development and adapt to technological changes and other innovations. The government of Ghana, as part of his vision towards education, aims at providing quality education for all by way of providing adequate resources and facilities to achieve her goal at all levels of education. It is imperative to build an environment that will help promote and sustain quality delivery in the Ghanaian educational system. Teaching and learning should as a result take place in an environment that is healthy, safe and sound and gender sensitive with adequate resources and facilities.

Taxation policies

The flow of FDI to every country is particularly affected the taxation regime of the receiving country. Investment as seen is supposed to create mutual benefits for the receiving and the giving countries but in a situation where the host country's taxation policies are not favorable this mutual advantages would not be possible. Where there are high tax rates in the host country the yield on the investment would be low. High level of taxation serves as a major challenge in attracting foreign direct investment in most developing countries. This makes expansion and improvement of efficiency difficult and eventually discourages FDI because of the untenable prospect of higher costs of production driven by debt of repayments.

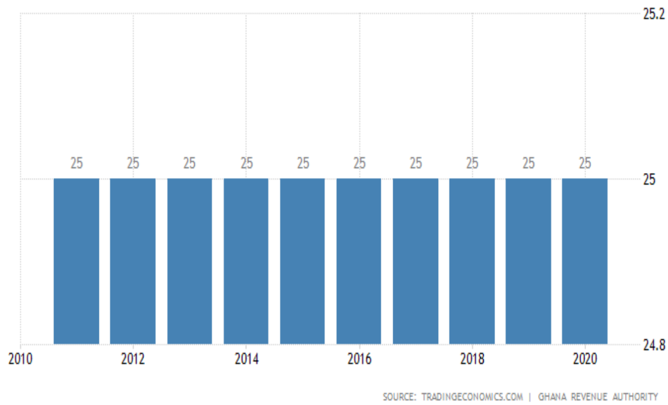
According to Amoako, D. (2013) the taxes foreigners pay is huge that some are afraid to invest in Ghana. The average interest rate spread on bank loans is about 20percent, compared to the average rate in sub-Saharan Africa which is about 12 percent. Ghana‘s rate emerged as the highest in the West African Region. Although many find the determination of lending spreads to be a discrete and complex matter, involving many factors. Experts in the field of finance and the economists still warn that, if allowed to persist the high cost of finance would hurt Ghana's attractiveness to Foreign Direct Investment. Nabendi (2002) reveals that long run determinants of FDI in the sub-region include market size (measured by GDP), Gross Domestic Product (GDP) growth, and investment policies. It was added that an increasing number of host government also provide various forms of investment incentives to encourage foreign owned corporation to invest in their jurisdiction. They include fiscal incentives such as tax holidays and lower taxes for foreign investors, financial incentives such as grants and preferential loans to multinational corporations, as well as measures like market preferences, infrastructure, and sometimes even monopoly rights trying to attract Foreign Direct Investment.

The following are the various taxes administered in Ghana. The chart below shows the tax rate for the various years.

1. Corporate taxation rates

The corporate taxation rates stands at the rate of 25 percent from 2010 to 2020 and still remains 25 percent in 2021. The chart is shown below.

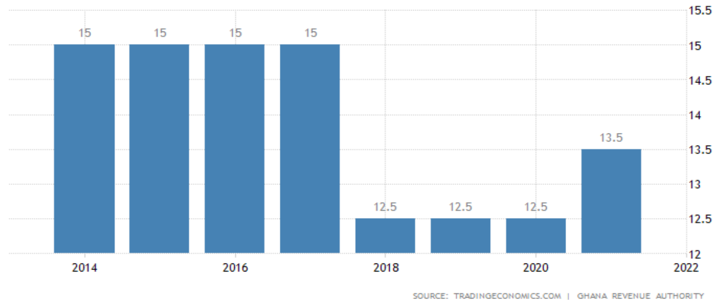
Figure: Corporate taxation rates from 2010 to 2020



Source: Tradingeconomics.com| Ghana revenue authority

2. The personal income tax rate is also pegged at 25% in Ghana. This rate is also the same as the corporate tax rate in Ghana. The chart is no different from that of the corporate tax rate.
3. Sales tax rate. This tax rate has been high since 2014 and dropped in 2018. But the rate has now risen to 13.5% in 2021. The chart is shown below.

Figure**:** Sales tax rate from 2014 to 2022



Source: Tradingeconomics.com| Ghana revenue authority

Political and Frequent Change of Government

Most rich countries and investors are ready to invest in countries where there is no political instability of frequent change of government. The recent increased in Foreign Direct Investment (FDI) in Ghana is because a lot more countries are interested in Ghana and they are aware of what we have. Ghana is endowed with many natural resources such as gold, diamond, manganese, bauxite, crude oil and many more. But among these there is name that keep resonating and attracting many FDI from different countries and this is oil and gas (crude oil). The immerse flow of FDI to Ghana from several countries did not just happen on a silver platter. It took Ghana a long time. Nonetheless, all that is being invested today will be seen by the end of this year to next year and also within the next five years there will be a lot more in Ghana compare to other European countries. Ghana has been a politically stable country since 1992. There has been recognition of this fact by the world's famous leaders including Xi Jinging, of China, US President Barrack Obama and his predecessors and UK Prime Minister David Cameron and his predecessors who have all commended Ghana for the political stability in the country over the years. Political model involves variables of strictly political nature as well as variables in which the political component is implicit but nevertheless dominant. The presence of a political system hospitable to foreign capital in terms of property rights and civil liberties plays a favorable role for attracting FDI. The host governments' ethics also impacts directly the inflow of FDI as widespread government financial corruption imposes difficulties for the effective conduct of business. These variables with strict political nature are not entertained in this study as such due to problem with data availability. The implicit political stability is considered.

Busse, M., & Hefeker, C. (2007) conducted a research on Political risk, institutions and foreign direct investment and their results for the 12 political indicators show that government stability, investment profile, internal conflict, corruption, law and order, ethnic tensions, and democratic accountability of the government matter for the investment decision of multinationals, as their respective coefficients are positive and statistically significant. The strongest significance level can be found for government stability indicating that these variables are particularly closely associated with FDI inflows in a dynamic panel setting. These results are broadly in line with those of the fixed-effects panel analysis, as a considerable number of variables are significant (and have an identical positive sign). This applies in particular to government stability, investment profile, internal conflict, law and order, ethnic tensions, and democratic accountability. Moreover, government stability and law and order have in both panel estimations a 1 per cent significance level and a relatively high magnitude of the respective coefficient.

The situation of political instability is rare in Ghana. Ghana is considered as one of the peaceful countries in world. Political stability in of Ghana has attracted millions of investors. There is currently a $2 billion investment deal between China and Ghana aiming at boosting the development of the Ghanaian economy. It can therefore be concluded that political and frequent change of government in Ghana does not serve as a challenge in attracting foreign direct investment in Ghana but rather an instrument in attracting more FDI in Ghana.

Chakrabarti (2001) concludes "the relation between FDI and many of the controversial variables (namely, tax, wage, openness, exchange rate, tariffs, growth and trade balance) are highly sensitive to small alterations in the conditioning information set".

Infrastructural Facilities

The Infrastructure condition of the recipient country believed to have positive and significant effect as infrastructure affects investment almost at every stage of the investment process including input accusation, operation and market accession. Infrastructural facilities as a challenge to attracting FDI in Ghana can be put into two categories. Firstly, the lack or inadequate infrastructural facilities to support the sector of the economy where the foreign direct investment is targeted. Thus in a situation where the FDI is directed toward a sector like the Agricultural sector but there are poor roads in Ghana to facilitate the movement of machineries and even the produce of the agricultural sector, the poor road network serves as a challenge in attracting FDI. The second is inadequate infrastructural facilities and this inadequacy of the infrastructural facility has called for the foreign direct investment, thus being an opportunity to be exploited. In the case the foreign direct investment is targeted at developing a particular sector of the economy like the road sector, it can be said that the road sector has called for such investment since the FDI is geared towards building roads. The relationship between infrastructure and Foreign Direct Investment could be difficult to tell as when the infrastructural level is low just as when it is low potential investors are ready to take advantage of such availability or inadequacy. Several studies (Musila and Sigue, 2006; Dupasquier and Osakwe, 2006) on FDI shows FDI in Africa is dependent on the development of infrastructure. Other studies on developing countries (Mengistu and Adams, 2007; Cotton and Ramachandran, 2001); emerging economies (Zhang, 2001); Western Balkan Countries (Kersan-Skabic and Orlic, 2007) and Southeast European Countries (Botric and Škuflic, 2006) have shown the significant role of infrastructure development on attraction of FDI. In contrary to the above points, a study on US FDI flow to Africa (Nnadozie and Osili, 2004) found less robust evidence on the role of infrastructure on FDI. Anarfo, E. B., Agoba, A. M., & Abebreseh, R. (2017) paper examines the role of infrastructural development and natural resources on FDI inflows in Ghana. They examine the empirical relations using the Prais–Winsten regression estimation procedure which is meant to overcome autocorrelation and heteroscedasticity in the error terms in the model, often for regressions applied to series. Their data was obtained from World Development Indicators (WDI) spanning from 1975 to 2014. Their findings suggest that infrastructural development and natural resources are drivers of FDI inflows in Ghana. The other variables that significantly influence FDI inflows in Ghana include the lending interest rate, market size and GDP growth rate. The policy implications of their study is that, while Ghana seeks to expand its infrastructure and natural resources to enhance FDI inflows and economic growth, this must be done in tandem with creating an enabling environment to ensure macroeconomic stability. In Yakubu, I. N., & Mikhail, A. A. (2019) conducted empirical results of the multiple regression analysis on the determinants of sector level FDI in Ghana. Their R2 values further illustrate that the independent variables explain most of the variations in FDI in the three sectors considered. That is, about 64.9% of the variations in Agriculture sector FDI, 95.9% of variations in Services sector FDI, and 56.4% of variations in Manufacturing sector FDI are as a result of changes in market size, exchange rate, trade openness, inflation, labor cost, and infrastructure development. Yakubu, I. N., & Mikhail, A. A. (2019) result depicts the determinants of FDI in the Agriculture sector, the results show that market size, trade openness, and infrastructure development have positive coefficients indicating a positive and direct relationship with Agriculture sector FDI.

Inflation

According to the Ghana’s statistical service (2021), Ghana's annual inflation rate picked up to 10.3 percent in February of 2021 from 9.9 percent in the previous month. Prices advanced faster for non-food products (8.8 percent vs 7.7 percent in

January), in particular housing & utilities (23.4 percent vs 19 percent). Meanwhile, food inflation slowed somewhat (12.3 percent vs 12.8 percent). On a monthly basis, consumer prices were up 0.8 percent, after increasing 0.9 percent in the previous month. In Ghana, the most important components in the Consumer Price Index (CPI) are Food and Non Alcoholic Beverages (43.6 percent of total weight); Housing, Water, Electricity, Gas and Other Utilities (9.5 percent) and Clothing and Footwear (8.9 percent). Transport account for 7.2 percent of total index, Miscellaneous Goods and Services for 7 percent, Hotels, Cafés and Restaurants for 6 percent and Furnishing and Household Equipment for 4.6 percent. Education represents 3.8 percent of total weight, Recreation and Culture another 2.7 percent and Communication 2.6 percent. Health accounts for the remaining 2.4 percent and Alcoholic Beverages, Tobacco and Narcotics 1.6 percent. According to Asiamah, M., Ofori, D., & Afful, J. (2019), Inflation is negatively and statistically significant when considering whether inflation serves as a challenge in attracting FDI in Ghana. Their coefficient of 0.5442 means that 1 percent increase in inflation would lead to approximately 0.5442 percent increases in FDI holding, keeping all other variables constant. This implies that inflation experience by the country really impact negatively on FDI. This is consistent with theoretical expectation of the classical views on the role of exchange rate volatility in the macro economy. It is also consistent with other empirical studies such as Vijayakumar et al. (2010).

According to economic and investment theories, inflation induces FDI by shocks from the both local and global levels, and by affecting other macroeconomic variables. For Ghana, the result obtained suggests that inflation targeting policy adopted as part of the structural reforms in the 2000s in Ghana though helped yet has also affected the economy. In the long run, interest rate is statistically significant and it exerts a negative effect on FDI in Ghana. The coefficient of 0.2885 percent implies that in the long-run 1 percent increase in interest rate will lead to approximately 0.2885 percent decrease in FDI. This means that increasing interest rate leading to higher cost of borrowing can affect inventiveness to fascinate foreign direct investment regularly and which we believe that foreign investment produces externalities in the form of technology transfers and knowledge spillovers. Romer (1993), for instance, asserts that there are important “idea gaps” between rich and poor countries. Also, he states that foreign direct investment can ease the transfer of technological and business know-how to the poorer countries. These transfers may have considerable knowledge spillover effects for the economy as a whole. Vijayakumar et al. (2010)

In Yakubu, I. N., & Mikhail, A. A. (2019), their Model 2 illustrates the determinants of FDI in the Services sector. From the regression results, FDI in the Services sector is positively related to market size, trade openness, inflation, and infrastructure development. It is crystal clear that FDI in the services sector increases as these variables surge. The positive value of inflation, which conforms to the expectation of their study, means that as Ghana's inflation increases (within certain range) investors are motivated to invest in the Services sector. This is because increases in prices of services provide a mechanism for the investors to maximize their profits.

Expectedly, the results present exchange rate and labour cost to relate negatively with Services sector FDI. Also, from the results, only exchange rate and trade openness are significant; hence serve as the key determinants of FDI in the Services sector. Their result supports the findings of Bhasin (2014) who established trade openness as a significant variable influencing FDI in the services sector. Yakubu, I. N., & Mikhail, A. A. (2019) Model 3, manufacturing sector FDI has a positive relationship with exchange rate, trade openness, labour Cost, and infrastructure development. On the other hand, as shown in the model, market size and inflation interrelated negatively with Manufacturing sector FDI. Nonetheless, none of the variables have been found to be statistically significant. It means that the variables considered in this study do not significantly predict the inflow of FDI in the Manufacturing sector. The insignificance of the variables contradicts previous literature (Galan & Benito, 2001; Harvey & Abor, 2009; Anwar et al., 2013).

Public Debt

Ghana's public debt stock has been projected by the International Monetary Fund to hit 81.5% of the Gross Domestic Product (GDP) in 2021. This latest projection means that Ghana's public debt stock will go above a whooping Ghs300 billion before the end of 2021. The Bank of Ghana in December 2020 has revealed that Ghana's overall public debt stock has reached an unprecedented high of Ghs291.6 billion and this represent about 76.1% of the GDP of Ghana. While the external debt stock of Ghana has reached Ghs141.8 billion which is nearly US$24.7 billion, representing 37.0% of the Gross Domestic Product of Ghana.

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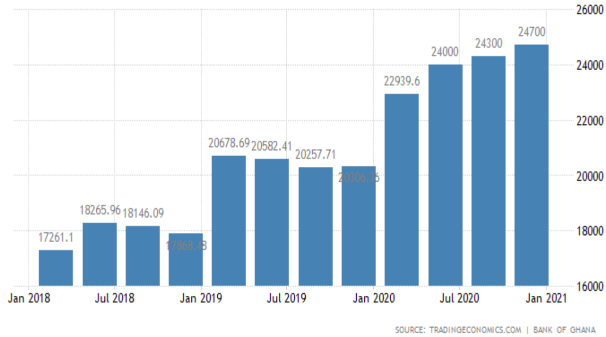
Figure: The External Debt in Ghana from the first quarter of 2018 to the first quarter of 2021



Source: Tradingeconomics.com| Bank of Ghana

Onafowora, O., & Owoye, O. (2019) examined Public debt, foreign direct investment and economic growth dynamics. Their results confirm that the examined variables are co-integrated and that FDI, domestic investment, trade openness, human capital (HC) and institutional quality were found to have significantly positive effects on economic growth, while higher public debt and inflation rates hampered growth. In other words, public debt and inflation negatively affect economic growth hence a negative correlation with Foreign Direct Investment. If public debt stock hampers economic growth it could further be assumed that such reaction if true for FDI and public debt stock.

Alamá-Sabater, L., Heid, B., Jiménez-Fernández, E., & Márquez-Ramos, L. (2016) examined the drives interdependence of FDI among host countries particularly the role of geographic proximity and similarity in public debt. They investigate the drivers of interdependence between flows of foreign direct investment (FDI), focusing on two potential channels: interdependence between geographically close FDI destination countries, and between destination countries with similar levels of public debt. Using data on bilateral FDI flows between the 27 EU member countries in2007, they in the end find that in addition to geographic proximity, similarity in public debt levels drives cross-country correlation in FDI inflows. The public debt threshold of 60% of GDP prescribed by the Maastricht Treaty is a crucial driver of interdependence between FDI inflows. FDI inflows are correlated within the group of compliant countries as well as within the group of non-compliers. This is consistent with the fact that foreign investors distinguish between countries which violate this Maastricht criterion and those that do not. Ghana public debt stock as it stands in 2021 has exceeded this 60% threshold as prescribed by Alamá-Sabater, L., Heid, B., Jiménez-Fernández, E., & Márquez-Ramos, L. (2016) and this puts Ghana on the danger zone.

It can be confidently concluded that Ghana's public debt stock as measured by the Bank of Ghana of 76.1% is a challenge is attracting Foreign Direct Investment in Ghana. Claeys et al. (2012) measures the interdependence of interest rates between countries, and also use the capitalization of the bond market (both public and private) as well as debt in terms of GDP to calculate spatial weights in their spatial econometric approach. The results highlight the interdependence of interest rates between EU countries due to proposed channel of public debt similarity.

Countermeasure of Expanding Ghana's Ability to Attract FDI

Inflow of FDI into the economy of Ghana increased significantly over the years due to efforts from the government to establish an atmosphere business-friendly to lure in investors. An estimated amount of $3.2 billion was reached through inflow of foreign direct investment in 2011 and got to the highest peak in 2012. Foreign direct investments saw an inflow rise by an estimated amount $5.4 million during the periods of 1990 and 2011. Between 1990 and 1992, very low foreign direct investment was recorded in volumes and values due to political instability and the military system of government. FDI rises from $22.5 million in 1992 to $125 million in 1993 right after the introduction of the 1992 constitution representing 555.5% rate increase. However, FDI inflow was hit by instability during the periods of 1993 and 1997 as result of the rise and fall, FDI requires higher expertise, and the laws permit a 100% recruitment of expatriates. Also, 100 percent ownership of investment in Ghana is allowed, policies and regulations about investments allows a total rightful ownership, which then permits investors to have full control and manage their operations void of any hindrances from the government. Risks associated with investments are carefully considered before investors decide to invest their resources in a particular country. Ghana is part of organizations that gives assurance to investors. Examples of these organizations are, Ghana's membership to the MIGA, a unit under the World Bank, which gives investment assurance against non-commercial risk of investing in developing economies. Ghana is considered to be one of the most peaceful countries in west Africa unlike countries such as Gambia, Cote d'lvoire, Liberia and Somalia, which experienced civil wars due to general elections. GIPC (Ghana Investment promotion Centre), founded by the government controls and regulate investments and provides incentives and benefits to investors such as customs import duty exemption on some commodities and product such as industrial plants, agricultural products and machinery imported for the investment activities.

Countries such as China and India are increasing their share of market input into many African countries. China for instance accounts for over 10 percent of their import in seven countries, and over 20 percent in Ethiopia and Madagascar. India also has a large market input than China in a number of African countries, and particularly those located on or close to the Indian Ocean benefit more. Manufactured goods (industrial goods), such as machinery and equipment, vehicles, iron and steel and, for India in particular, pharmaceutical product and cereals are some of the large import shares for China and India respectively. China over the years have proven to be very consistent with their imports into African countries and has shown to be more capable than India at providing imports that can compete with African local producers, producing items like furniture, footwear and ceramic products and this is a major threat to local industries in Ghana since Chinese industries are endowed with sophisticated technology, capital machinery and also good financial backings. Domestic industries might eventually collapse due to competition from capable Chinese firms with resources at their disposal. The Ghanaian industries must improve by adding more value to their products so as to attract more foreign direct investors in the manufacturing sector. More importantly, in terms of development-oriented long-term African export, the strategy is to be more focused on value addition (processing) to their resources. Opportunities to develop garments for exports should not be disregarded by African countries, but this may not be a profitable platform for long term export growth. Even though, China and India are major investors in the garment sector, there isn't much evidence they can help in integrating Africa into global value chains. China and India have significant shares of textiles imports in many countries. Even so, both are still likely to have invested to avail of trade preferences. This indicates that the African countries are set in a divided manufacturing structure rather than supported in evolving a self-sustaining position in the world supply chain.

The governments in Ghana must know for a fact that foreign direct investment can be short term in nature. This can usually be the case if the investment is induced by assessing trade options that may themselves be temporal. On the other hand, foreign direct investment motivated by acquiring access to resource is long term; however, Ghana must ensure the right price is received. Therefore, some policy recommendations are concluded in general terms;

If foreign direct investment inflow is connected to a particular resource from the beneficiary of the foreign direct investment, then Resource-exporting countries must make sure they receive a competitive market price and also the revenue from exports is put into advancing development.

Fragile commodity producers should be aided in spotting opportunities in China and India export markets via the provision of market information and accessibility to networks.

Recognizing value-added activities to process resources available should be the primary concern for productive export diversification.

Governments need to support promising domestic firms with the capability to be more competitive as imports from other countries can compete with some domestic producers.

Foreign direct investment projects by other countries must boost the local economy and development by focusing much on sectors and projects with strong connections with the rest of the economy and this must be an all-important concern to governments.

As foreign direct investment inflow is stimulated by their own commercial interests, it's very clear that foreign direct investment inflow from other countries cannot be assumed to aid the integration of African producers into global value chains. Such investment can be short-term as experience with garments cautions that.

Also, there is a more possible productive engagement with China if African countries team up to increase their bargaining power and encourage regional investment projects.

In totality, the following measures have been advanced or recommended to deal with the issue of challenges impeding Ghana's ability to attract foreign direct investment. Foreign direct investment in Ghana has always or is mainly concentrated on infrastructure and education rather thanhelping Ghana in curbing its inflation, and public debt, imperatively, huge chunk of Foreign Direct Investment must be channeled in the areas advanced above in Ghana to attract Foreign Direct Investment and also reduce unemployment in these areas thus a reduction in debt crises. It is highly recommended that Foreign Direct Investment and National aims or goals must be linked together. Moreover, to allow for a transfer of technology and knowledge to the host country, it is recommended that the host country must have a huge number of its citizens employed in project financed by Foreign Direct Investment. Again, quality education must be made accessible to the host country's citizens in order to provide employable skills needed in projects financed by foreign direct investment, (in a situation where the host country lacks labor force or have insufficient knowledge in the project to be undertaken.)What should be done in situations where the host country lacks labor force? You need to re-examine this last sentence that I put in bracket, it looks incomplete.

Conclusion

It is very clear foreign direct investments have been the main drive of any economy guaranteeing the progressiveness of an economy. This has been the idea or principle of any economic theory. Hence, Ghana is keen on attracting both local and international investors to enhance production which is why the Ghana Investment Promotion Centre (GIPC) provides favorable investment policies to provide an atmosphere convenient for investors.

It is very clear that education, taxation, inflation, security, volatility of political environment among other factors are challenges that obstruct foreign direct investment into the county. The paper also addressed what must be done by government to attract more FDIs into the country. It is recommended that Ghana government should provide and improve on the area of education, Implement policies that would reduce the volatility of the political climate and the change of government since they improve the country's ability in attracting FDI. Again, the government must continue to build more infrastructure whiles encouraging the attitude of maintenance culture in improving the existing infrastructure of the country, give tax holidays, international tax reduction and strengthening and have double taxation agreements, reduce its external borrowings, stimulate investment in local industries, and lastly, value for money and avoid unwarranted spending.

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