

Abstract

Corruption remains the most critical institutional factor which deters FDI inflows in developing countries. However not much is known about the impact of corruption on FDI inflows in Tanzania since the initiation of economic reforms which was introduced in the 1990s. This study aims to investigate the impact of corruption on FDI inflows in Tanzania using time series institutional data from 1996 to 2015 obtained from the World Bank governance indicators and FDI inflow data from the Bank of Tanzania (BOT) respectively. Multiple linear regression model was used to analyze the data, unit root test was employed to determine stationarity and non-stationarity of data, while Co integration test using Augmented Dickey-Fuller test, Engle- Granger (EG) in this case Johansen cointegration test was also employed to test whether variables were cointegrated. The study found corruption (CC) had a significant negative impact on FDI inflows in Tanzania, both in the long run and short run, while regulatory quality (RQ) and voice and accountability (VA) had a significant positive impact on FDI inflows in Tanzania over the period 1996-2015. The study recommends that measures should be adopted to reduce corruption in order to make the country's investment climate attractive to foreign investors.

Keywords: Corruption, FDI, Inflow, Tanzania, Time series.