

**DETERMINANTS OF INVESTMENT ATTRACTION IN SPECIAL ECONOMIC ZONES IN
NAIROBI COUNTY AND ITS ENVIRONS, KENYA.**

MURAGE FIONA NYAWIRA

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AWARD OF A MASTER OF SCIENCE IN DEVELOPMENT FINANCE.**



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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the document contains no content previously published or written by another person except where due reference is made in the research project itself.

Fiona Murage

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Approval

The research dissertation of Fiona Murage was reviewed and approved by the following:

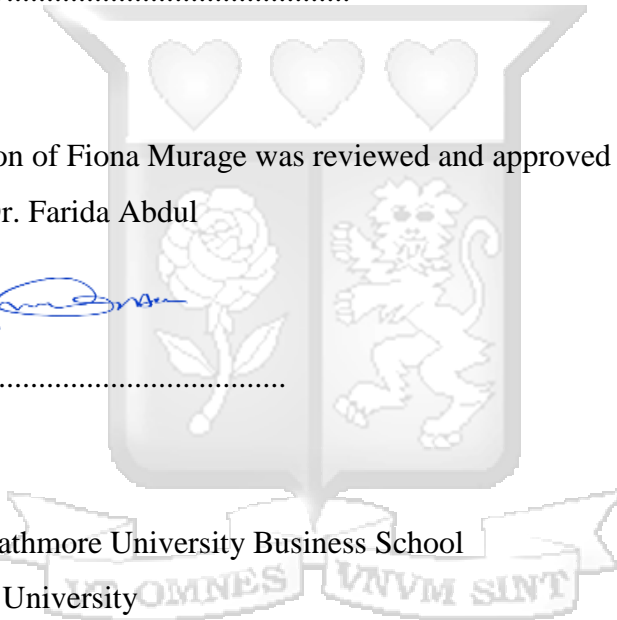
Name of Supervisor: Dr. Farida Abdul

Signature 

Date.....20/05/2025.....

Faculty Affiliation: Strathmore University Business School

Institution: Strathmore University



ABSTRACT

In 2008, the Kenyan government launched the first Special Economic Zone called Konza Technopolis as its premier project in Kenya's Vision 2030. It is Kenya's government mandate to promote investment, create job opportunities, and boost exports through tools such as SEZs. However, the number of operating projects in the zones is significantly lower than the targeted projects. For instance, Konza City has only one completed project, accounting for only 25 percent of the registered projects. In light of this, this research paper examined the factors that attract investors to SEZs in Nairobi County and its environs. The primary objectives of the research were: to determine the effect of zone bulk infrastructure on SEZ investment attraction; to examine the influence of fiscal incentives on SEZ investment attraction; to establish the role of zone management on SEZ investment attraction and to explore the role of marketing strategies on SEZ investment attraction in Nairobi County and its environs. The theories that underpinned this study were institutional and OLI paradigm theories. The study employed positivism research philosophy and used a descriptive correlational research design. The study target population consisted of 5 SEZs, with the target respondents being 60 zone investors. This research used purposive sampling to select the 5 SEZs in Nairobi County and its environs. The study used questionnaires applying the Likert-type scale method to investors who have invested in the zones. Statistical software SPSS version 24 was used to analyse quantitative data. The findings revealed that zone management was the most significant factor influencing investment attraction, with investors valuing efficient administration and competent service delivery. Marketing strategies also showed influence, though a negative regression coefficient suggested that promotional efforts must align with operational capabilities to be effective. Fiscal incentives were moderately important but statistically insignificant, implying that incentives alone do not drive investment unless accompanied by stronger institutional support. Zone bulk infrastructure, while highly rated in perception, did not significantly influence investment attraction when evaluated alongside other factors. The study concludes that institutional quality, particularly in the form of responsive and well-managed SEZ operations, is the most critical driver of investment. These insights can guide policy reforms focused on strengthening SEZ governance, aligning marketing with delivery, refining incentive schemes, and prioritizing infrastructure that responds to investor needs.

Key words: Zone bulk infrastructure, fiscal incentives, investment attraction, marketing strategies, zones management and special economic zones

TABLE OF CONTENTS

DECLARATION	i
ABSTRACT	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
DEFINITION OF KEY TERMS	xi
DEDICATION	xii
ACKNOWLEDEMENTS	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Investment Attraction.....	1
1.1.2 Overview of SEZs.....	4
1.2 Statement of the problem.....	7
1.3 Objectives of the Study	8
1.4 Research Questions	9
1.5 Scope of the Study.....	9
1.6 Significance of the Study.....	9
1.6.1 Policy Makers	9
1.6.2 Academia	10
1.6.3 Special Economic Zones	10
1.7 Chapter Summary	10
CHAPTER TWO	11
LITERATURE REVIEW	11

2.1 Introduction	11
2.2 Theoretical Review.....	11
2.2.1. Institutional Theory.....	11
2.2.2: Dunning’s Eclectic Paradigm/ OLI Paradigm Theory.....	13
2.3. Empirical Review of the Study.....	15
2.3.1 Zone Bulk Infrastructure and SEZ Investment Attraction.....	15
2.3.2 Fiscal Incentives and SEZ Investment Attraction.....	16
2.3.3 Zone Management and SEZ Investment Attraction.....	17
2.3.4 Marketing Strategies and SEZ Investment Attraction.....	18
2.4 Summary of Research Gaps	20
2.5 Conceptual Framework of the Study.....	25
2.6 Operationalization of the Study Variables	26
2.7 Chapter Summary	27
CHAPTER THREE.....	28
RESEARCH METHODOLOGY	28
3.1 Introduction	28
3.2 Research Philosophy	28
3.3 Research Design	28
3.4 Population and Sampling.....	29
3.5 Data Collection Techniques.....	29
3.6 Data Analysis.....	30
3.7 Research Quality.....	31
3.7.1 Validity	31
3.7.2 Reliability.....	31
3.8 Ethical Considerations.....	32

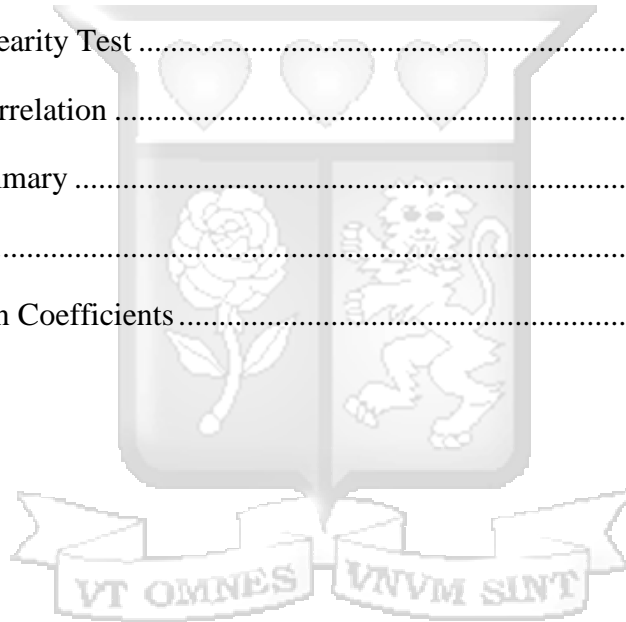
3.9 Chapter Summary	32
CHAPTER FOUR: RESULTS AND DISCUSSIONS.....	33
4.1 Introduction.....	33
4.2 Response Rate.....	33
4.3 Reliability Analysis.....	34
4.4 Validity Analysis	35
4.5 Demographic Profile.....	35
4.5.1 Name of SEZ.....	35
4.5.2 Length of Operation in SEZ.....	36
4.5.3 Mode of Registration	37
4.5.4 Type of Business.....	38
4.5.5 Previous Operation in SEZ	39
4.6 Zone Bulk Infrastructure	40
4.7 Fiscal Incentives	42
4.8 Zone Management.....	45
4.9 Marketing Strategies.....	47
4.10 Investment Attraction	50
4.10.1 Overall Attractiveness of SEZs.....	50
4.10.2 Investor Satisfaction.....	51
4.11 Diagnostic Tests	52
4.11.1 Multicollinearity Test.....	52
4.11.2 Normality Test	53
4.11.3 Test for Heteroskedasticity	54
4.12 Pearson Correlation Analysis	55

4.13 Regression Analysis	57
4.13.1 Model Summary.....	57
4.13.2 ANOVA Test	58
4.13.3 Regression Coefficients	58
4. 14 Chapter Summary	60
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	61
5.1 Introduction	61
5.2 Summary of Findings.....	61
5.3 Discussion of the Findings	62
5.3.1 Zone Bulk Infrastructure and Investment Attraction	62
5.3.2 Fiscal Incentives and Investment Attraction.....	63
5.3.3 Zone Management and Investment Attraction.....	64
5.3.4 Marketing Strategies and Investment Attraction	65
5.4 Conclusion.....	65
5.5 Recommendations	67
5.6 Limitations of the Study	69
5.7 Suggestions for Future Studies	69
5.8 Chapter Summary	70
REFERENCES.....	71
APPENDICES	81
Appendix 1: Letter of Introduction.....	81
Appendix 2: Research Questionnaire for the Respondents	82
Appendix 3 : List of SEZs	86
Appendix 4: List of Targeted Investors	86
Appendix 5: NACOSTI Permit	88



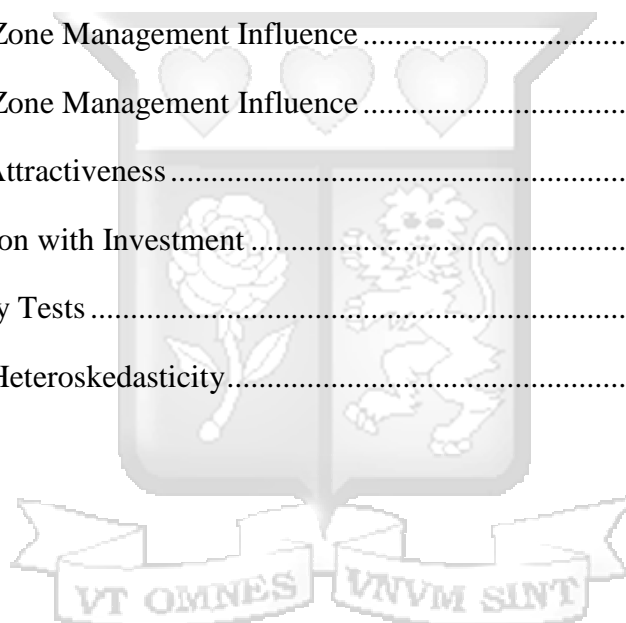
LIST OF TABLES

Table 2. 1: Summary of Research Gaps.....	24
Table 2.2: Operationalization of Study Variables.....	26
Table 4.1: Response Rate.....	33
Table 4.2: Reliability Analysis	34
Table 4.3: Zone Bulk Infrastructure.....	40
Table 4.4: Fiscal Incentives	42
Table 4.5: Fiscal Incentives	45
Table 4.6: Marketing Strategies.....	47
Table 4.7: Multicollinearity Test	52
Table 4.8: Pearson Correlation	55
Table 4.9: Model Summary	58
Table 4.10: ANOVA.....	58
Table 4.11: Regression Coefficients.....	59



LIST OF FIGURES

Figure 1.1 Konza Technopolis Uptake and Projects.....	3
Figure 4.1: SEZs Surveyed	36
Figure 4.2: Length of Operation in SEZ	37
Figure 4.3: Mode of Registration.....	38
Figure 4.4: Type of Business	39
Figure 4.5: Previous Operation in SEZ.....	40
Figure 4.6: Extent of Zone Bulk Infrastructure Influence	42
Figure 4.7: Extent of Fiscal Incentives Influence	44
Figure 4.8: Extent of Zone Management Influence	46
Figure 4.9: Extent of Zone Management Influence	49
Figure 4.10: Overall Attractiveness	50
Figure 4.11: Satisfaction with Investment	51
Figure 4.12: Normality Tests	54
Figure 4.13: Test for Heteroskedasticity.....	55



LIST OF ABBREVIATIONS

EPZ	Export Processing Zones
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communication Technology
NACOSTI	National Commission for Science, Technology and Innovation
OECD	Organisation for Economic Co-operation and Development
SEZs	Special Economic Zones
SEZA	Special Economic Zones Authority
UNCTAD	United Nations Conference on Trade and Development



DEFINITION OF KEY TERMS

Fiscal Incentives

Sarker et al. (2020) described fiscal incentives as stimuli provided through a nation's tax system, such as tax breaks, holidays, and rebates to promote investment.

Investment Attraction

Moskalenko et al. (2022) defined investment attraction as the process by which countries create favorable conditions such as fiscal and non-fiscal incentives, to attract new labor, financial resources, and business activities.

Marketing Strategies

A marketing strategy involves engaging customers, providing information to understand their needs, and making decisions to create, communicate, and deliver value to achieve objectives (Rosário & Raimundo, 2021).

Special Economic Zones

SEZs can be depicted as “designated areas within a country created to implement unique rules and regulations that are generally more favorable to investment. (Qumba, 2023).

Zone Management

Zone management entails the administration of special economic zones, the managing entity (private, public, or public-private), and relevant government authorities (Iskandarov & Borozdina, 2023).

Zone Bulk Infrastructure

Zone bulk infrastructure includes key facilities such as energy, roads, water, sanitation, drainage, fiber optic connections, and support infrastructure for business and social needs (Mwansa et al., 2020).

DEDICATION

This dissertation is dedicated to my parents (Dad and Mom), whose support, encouragement, and belief in me sustained and inspired me throughout my pursuit of the Master of Science in Development Finance degree.



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Special Economic Zones in Kenya were adopted in 2008 to encourage investment and as part of its Vision 2030 (Wathuti, 2019). Over the past few years, special economic zones have drawn a lot of attention in emerging markets because of their ability to attract investment. The rationale for Special Economic Zones (SEZs) lies in their ability to tackle impediments that limit investment in the ordinary economy, promoting economic dynamism and competitiveness (Mwansa et al., 2020). To attract more investment, the Kenyan government has created an investment-friendly environment through the establishment of integrated infrastructure facilities and the creation of incentives.

Establishing SEZs communicates to potential foreign investors that the host country is dedicated to fostering FDI, offering diverse incentives such as tax reliefs, simplified regulations, and bulk infrastructure development. According to the African-Economic-Zones-Outlook (2021), special economic Zones (SEZs) have improved investment conditions, stimulated job creation, and increased foreign direct investment (FDI) into Africa: within the last five years, the agro-processing, industrial, and service sectors have created 60 million jobs. SEZs, according to UNCTAD (2019), are specific regions where governments encourage industrial growth through a combination of fiscal incentives, regulatory support, and infrastructure development.

1.1.1 Investment Attraction

According to the UNCTAD (2022), World Investment Report, a total of USD 83 billion was invested in Africa. FDI inflows to East Africa stood at USD 8.2 billion, and into Kenya was USD 500 million. This data shows the competitive environment that Kenya must operate in to draw in foreign investment. Moreover, it indicates that very little FDI inflows to East Africa came to Kenya. Therefore, Kenya has to do more to attract FDI. Based on the SEZA strategic plan 2023-2027, Kenya's goal is to increase FDI from USD 500m to USD 10 billion by 2027 with a growth rate of USD 2.5 billion per year. This demonstrates the need for Kenya to embrace innovative approaches to draw in investment. SEZs are among the popular

tools that Kenya has shown enthusiasm for in their quest for domestic and foreign investment attraction.

Despite this, SEZs have not guaranteed investment attraction. Some zones have failed to attract real investors, with most having potential investors who purchased land, have not developed it, and are holding it for speculative purposes. The annual financial report of the Auditor-General on Special Economic Zones for FY 2022-2 revealed that an expression of interest for Dongo Kundu and Naivasha special economic zones received an impressive 81 expressions of interest from potential investors. This is an estimated investment value of Kshs 460 billion. One of the challenges Kenya's SEZs have faced is the conversion of the expressions of interest into actual investment, where some investors purchase land and choose not to invest. This raises critical questions about the effectiveness of special economic zones in attracting investments.

While studies have been conducted on the investment attractiveness of special economic zones, there have been mixed findings on the factors that drive investment attraction, attributed to the differences in context, policy environments, and methodological approaches. Previous studies have differed on the significance of some variables in SEZ investment attraction, making it difficult to establish conclusions on the determinants of SEZ investment attraction. Further, existing research on economic zones adopted a case study approach, mainly focusing on one SEZ in a given country. In contrast, this research focused on 5 special economic zones, giving a broader and comparative perspective. In addition, this study also sought to address the scarcity or inadequacy of empirical data, research findings, and knowledge related to SEZs in Kenya. Lastly, this study has provided evidence-based recommendations to policymakers based on empirical findings from Kenya's SEZs.

The figures outlined below are a demonstration of the parcel uptake and projects at Konza Technopolis. 53 parcels are taken at Konza and yet only 1 project is completed and 3 are ongoing.

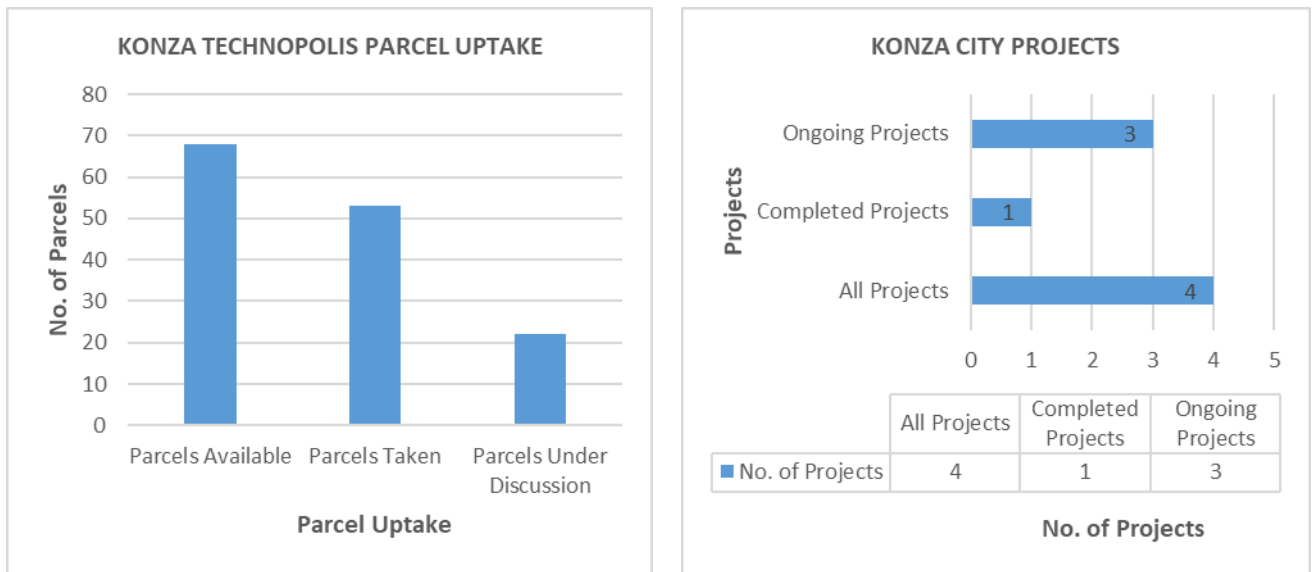


Figure 1.1 Konza Technopolis Uptake and Projects

Determinants of SEZ investment attraction can be defined as factors that significantly affect the quality of a zone and consequently impact its overall performance (Zeng, 2022). Fiscal incentives, zone bulk infrastructure, legal and regulatory framework, location, and zone management are some of the factors that are regarded as critical in a zone. The World Bank Group (2020), argued that the availability of skilled labor, the regulatory landscape, and macroeconomic stability are the key aspects that influence the investment choices of foreign investors. Another publication by the World Bank (2017) cited the drivers of SEZ Investment Attraction as zone, contextual, and program characteristics. These included zone-specific factors such as maturity, size, operator, location, and industrial focus. Contextual factors, including institutional quality, market access, income levels, population density, and human capital, also played a critical role. Additionally, program characteristics, such as the regulatory framework governing zone development and operations, significantly influenced investment decisions.

Good infrastructure, according to Zeng (2015a), encompasses necessary elements such as telephone networks, ports, roads, water, power, gas, and sewers. Zone Bulk Infrastructure includes both physical and non-physical infrastructure. The former provides high-quality connectivity, such as ports and telecom, essential utilities like water supply, and environmental facilities such as waste and effluent treatment plants. Non-physical infrastructure includes labor supply, technology diffusion, innovation platforms, etc. Fiscal Incentives in Special Economic Zones (SEZs) often include benefits such as tax holidays, exemptions, and subsidies (Zeng, 2016a). Fiscal incentives have been used as essential

investment-friendly policies and signaling tools to convey a country's welcoming attitude toward foreign investment. Over time, SEZ policy and zone management practices have evolved, with continued debate over public versus private ownership and operational approaches. Zone management can be public, private, or public-private partnership. The zone management facility's role is to oversee activities within the zone, ensure tenant companies access the services promised, and represent these businesses in their engagements with the government (World Bank, 2017). Marketing is no longer limited to traditional approaches; it now encompasses modern strategies built around the 4Ps concept: product, price, place, and promotion (Khairil, 2017). Abdullah Igo (2019) shared the same view about marketing stating stakeholder engagement, personalized marketing, one-on-one sales, and advertising as strategies aimed at making consumers more familiar with understanding the products offered.

1.1.2 Overview of SEZs

Economic zones are not a new phenomenon for countries across the globe. The formation of Export Processing Zones (EPZs), which are precursors to SEZs, is widespread, especially in Europe (Nallathiga, 2007). SEZs have been developed globally as a government strategy to attract private investment and generate various benefits from job creation to industrial growth. SEZs have a long history. The concept dates back many years when the earliest economic zone was developed in Ireland, in 1959 at Shannon Airport (Zeng, 2021). The Shannon Free Zone, situated near the airport, was the first industrial zone specifically established for customs-free, export-oriented manufacturing while providing standard industrial park amenities. After its success, many economies, including Taiwan, India, Singapore, and Iceland, adopted the SEZ concept. As a result of these zones' ability to boost exports and spur industrial change, numerous other emerging economies have implemented similar strategies (Naeem et al., 2020).

China's experience with SEZs is widely regarded as the most prosperous globally. Shenzhen, Shantou, Xiamen, and Zhuhai were the initial four zones set up in China in 1978, all strategically situated along the South eastern coastline, next to major financial and trading hubs such as Macao, Taiwan, and Hong Kong. Hainan followed as the fifth SEZ in 1988. It was not until the mid-1980s that these zones started to show notable progress, with the Shenzhen SEZ in Guangdong emerging as the leader among them. SEZs in China are often described as the "miracle of Shenzhen," highlighting the city's transformative success.

According to (Farole & Akinci, 2011), SEZs transformed Shenzhen, a small fishing village into a city of 14 million people and in 30 years the GDP increased 100-fold.

SEZs increased significantly from 79 in 1975 to 845 by 1997. By 2019, there were 5,400 operational SEZs across 147 economies, with another 500 in the pipeline (UNCTAD, 2019a). Of these SEZs, many have been successful, driving industrialization, economic development, and growth in countries like Bangladesh, Mauritius, the Dominican Republic, China, Vietnam, Taiwan, South Korea, and El Salvador. However, some zones have turned into "white elephants" for their host economies, where industries exploited tax benefits without contributing to exports or job creation. This has been prevalent in countries like Pakistan, India and various African nations, where certain SEZs have remained underdeveloped or underutilized for decades (Naeem et al., 2020). Zeng, (2016) also argued that special economic zones have produced mixed results over 50 years of implementation. Although there has been much progress, especially in East Asia and Latin America, Africa has experienced more setbacks. Despite SEZs being widely used globally, only a few economies host most of them. China alone is home to more than half of these zones, while the Philippines, the United States, and India are among the other nations with many SEZs.

African countries have not lagged and have endeavored to replicate the successful economic development model observed in Asia. In the 1970s, Liberia, Mauritius, and Senegal created the first free zones in Sub-Saharan Africa, which were conventional export processing zones. However, SEZs did not spread widely throughout the continent until the 1990s (Mösle, 2019). While African countries have often been considered late adopters of SEZs, these economic zones are now spreading across the continent. The Africa Economic Zones Outlook (2021) found that, in Africa, there are about 203 operational SEZs, and 73 more are ongoing and set for completion. Northern Africa has the biggest share at nearly 29% of the continent's SEZs. Eastern Africa comes in second with 26%, Western Africa with 24%, Southern Africa with 15%, and Central Africa with 6%.

Kenya, Nigeria, Ethiopia, Morocco, and Egypt host the highest number of SEZs in Africa, with most of these zones located in East Africa. Of the 54 countries on the continent, 47 have built and developed SEZs, with Morocco and Nigeria having the highest concentration (Africa-Economic-Zones-Outlook-2021). Although the number of free zones has increased, Sub-Saharan African countries have struggled to achieve the SEZ-driven growth experienced by East Asia. Many African nations face ongoing challenges in competing within industrial sectors and integrating into global value chains that supply consumer goods and services worldwide. SEZs offer a promising strategy to help address barriers to attracting investment

and boosting exports. However, governments that adopt a “build it and they will come” approach toward SEZs risk failure. The African experience with SEZs has not met the expectations set by policymakers.

The Kenyan government has recently launched several SEZ programs, marking a shift away from traditional Export Processing Zone (EPZ) models towards more adaptable SEZ models. These new models focus on improved integration with domestic trade and industrial policies, local labor markets, domestic suppliers, fundamental trade and social infrastructure. Despite the present SEZ initiative being partially prompted by the unsatisfactory outcomes of the majority of the earlier unsuccessful schemes such as EPZs, Kenya chose to retain its existing EPZ framework, including its institutions and related legislative incentives, at the start of its implementation phase (Laryea et al., 2020). Unlike India, which opted to revamp its troubled EPZs by integrating them into a newly introduced SEZ scheme to improve the program, Kenya maintained its existing approach.

Kenya's Vision 2030 embraced a Special Economic Zones policy as a vital driver of progress and advancement in the economy. In 2015, Kenya passed the Special Economic Zones bill to establish the framework necessary for the conception and operation of SEZs and to achieve the SEZ objectives. Additionally, the Special Economic Zones Authority (SEZA) was created to oversee, coordinate, and promote the establishment and operation of SEZs in Kenya. According to Kenya's SEZ Authority's Strategic Plan 2023-2027, the total number of SEZs declared and gazetted in the country has reached thirty-seven (37). Of these, thirty (30) are private zones, while seven (7) are public zones. In the annual report for the financial year 2022-2023, Kenya highlighted an impressive surge in investor interest in the Dongo Kundu and Naivasha Special Economic Zones, with 81 expressions of interest translating to an estimated investment value of 460 billion. While this initial enthusiasm is encouraging, Kenya has struggled to convert this interest into substantial investments, putting the zones at risk of becoming white elephants.

One notable example is Konza Technopolis, a SEZ introduced in 2008. Also known as, Konza Technological City, Konza was designed to take up 5,000 acres of land. (Iammarino & McCann, 2013: Konza City Official Website, 2023). From its inception, it attracted significant attention due to its bold vision of becoming the leading economic hub in the East African region, driven by top-notch ICT infrastructure. Nevertheless, a decade later, the city remains largely unrealized. Instead of bustling with activity and technological advancements, Konza Technopolis is a stark reminder of unfulfilled potential and shifting timelines. Konza is notably marked by one unfinished building, intended to serve as the Konza Technopolis

Development Authority's headquarters, which stands as the only major landmark on the vast parcel of land(Guma & Monstadt, 2021).

The SEZ experiment in Kenya has not been entirely unsuccessful, with Tatu City standing out as a stronger performer. Its developer, Rendeavour, is privately owned by investors from New Zealand, Norway, the UK, and the US(Gillespie & Mwau, 2024). Tatu, a start-up city is a 5,000-acre multi-purpose development located in Kiambu County. Maina & Cirolia (2023) described the project as one of the greatest property developments in the country, transforming a former coffee-growing area into a diversified urban centre. Tatu City also stands as Kenya's first operational Special Economic Zone, providing incentives like zero-rated VAT, lower corporate taxes, import duty exemptions, and other preferential benefits.

1.2 Statement of the problem

Over the past few years, Kenya has shown excitement about the prospects of SEZs, leading to the gazettelement and licensing of several such zones. While SEZs are not a new concept, having evolved from traditional Export Processing Zones (EPZs), their economic impact has historically fallen short of expectations. According to Laryea et al., (2020), earlier schemes did not achieve the substantial economic impact that had been anticipated. Laryea goes on to say that the current SEZ initiative is partially a response to the underwhelming performance of these preceding schemes, this raises critical questions about the likelihood of success when past efforts have failed. This also brings into question the factors affecting investment attraction in these zones.

The UNCTAD World Investment Report of 2022 revealed that in the year 2021, East Africa attracted USD 8.2 billion worth of FDI. Out of this, only USD 500 million was invested in Kenya. This data shows the competitive environment that Kenya must operate in to draw in foreign investment. Moreover, it indicates that very little FDI inflows to East Africa came to Kenya. These statistics show that the Kenyan government has to come up with effective strategies to attract FDI. Based on the SEZA strategic plan 2023-2027, Kenya's goal is to increase FDI from USD 500m to USD 10 billion by 2027 with a growth rate of USD 2.5 billion per year. The benefits of FDI are undeniably critical to any nation's economy; and Kenya needs to be more innovative and deliberate in its efforts to attract investment. Instead of simply replicating models from other countries that have implemented SEZs successfully, the government needs to understand its investor's needs and customize incentive packages to meet those needs. Replication has proven to be futile, and this is evident in the implementation of EPZs, which has not been as successful as desired. This research also

sought to understand why prospective SEZ investors purchase land and choose not to develop.

A common example is Konza City, a public SEZ that was established in 2008 and is yet to take off 16 years later. Despite the grand vision of transforming Kenya into a tech powerhouse, the stalled progress of Konza City serves as an example, raising critical questions about the effectiveness of special economic zones in attracting investments (Ndirangu, 2023). Kenya has gazetted and licensed 37 SEZs, however, operationalization remains elusive, with only Tatu City having achieved this status, prompting concerns about the viability of many SEZs ending up as 'white elephants'.

Previous studies have attempted to establish the determinants of domestic and FDI attraction in special economic zones; however, the significance of these factors remains uncertain due to mixed results. For instance, for fiscal incentives, Slattery & Zidar (2020), highlighted that despite the growing enthusiasm for place-based policies, many question the effectiveness of these business incentives and whether the rising costs are justified. In the Philippines for example, SEZs established in economically disadvantaged areas failed to attract foreign investment, despite offering substantial rewards and generous incentives (W. Ahmed et al., 2020). Another interesting study by Jasiniak & Koziński (2017) investigated the effectiveness of tax incentives for SEZs and their role in attracting potential investors to Poland. It found that tax incentives are still a crucial factor for investors when making significant investment decisions. Different results occurred due to varying contexts and an overemphasis on fiscal incentives as the main driver of investment attraction. This study sought to address these gaps by examining a broader range of factors influencing investment attraction in SEZs, and within a different context.

Furthermore, most studies adopted the case study approach, examining a single special economic zone that is either successful or struggling. For a broader and comparative perspective, this study presented findings from 5 SEZs, including both successful and struggling zones in the Kenyan setting. Due to inadequate data on SEZs in Kenya, this study also sought to provide knowledge and empirical data on Kenyan SEZs.

1.3 Objectives of the Study

The study's main aim was to investigate the drivers of investment attraction in SEZs in Nairobi County and its environs, Kenya.

The specific objectives of the study were;

- i. To determine the effect of zone bulk infrastructure on SEZ Investment Attraction in Nairobi County and its environs, Kenya.
- ii. To examine the influence of fiscal incentives on SEZ Investment Attraction in Nairobi County and its environs, Kenya.
- iii. To establish the role of zone management on SEZ Investment Attraction in Nairobi County and its environs, Kenya.
- iv. To investigate the effect of marketing strategies on SEZ Investment Attraction in Nairobi County and its environs, Kenya.

1.4 Research Questions

The study answered the following questions:

- i. To what extent does zone bulk infrastructure affect investment attraction in SEZs in Kenya?
- ii. Do fiscal incentives influence investment attraction in SEZs in Kenya?
- iii. Does zone management affect investment attraction in SEZs in Kenya?
- iv. Do marketing strategies influence investment attraction in SEZs in Kenya?

1.5 Scope of the Study

This paper sought to examine SEZ characteristics and how they affect investment attraction. The zone characteristics applied in this study were zone bulk infrastructure, fiscal incentives, zone management, and marketing strategies. The justification for focusing on zone-related factors was based on The World Bank Group (2017) argument that zone-related factors are critical in SEZ performance. The study adopted a descriptive correlational research design. This research used purposive sampling to select 5 SEZs in Nairobi County and its environs that have demonstrated notable progress in terms of active or prospective investments. Nairobi County and its environs host several key SEZs, making it an ideal start for comprehending the dynamics of SEZs in Kenya. The target respondents were the zone investors. The study was conducted between 24th February 2025 and 31st March 2025.

1.6 Significance of the Study

This section presents the significance of this research. The importance was categorized according to various parties.

1.6.1 Policy Makers

Given the ongoing debate on the cost-benefit of fiscal incentives in the Kenyan economy and the failure of current SEZs to attract the right caliber of investors, this study provides

policymakers with the necessary information to prompt streamlined policy reforms in the management and governance of local SEZs. It is well-known that for any change to have a significant impact it should be based on deeply examined facts. This study aimed to inform policy by formulating evidence-based recommendations for the development of SEZs in Kenya. Moreover, this research was timely, coinciding with proposed amendments to the Special Economic Zones Act, as demanded by investors.

1.6.2 Academia

Globally, the idea of Special Economic Zones (SEZs) is rapidly evolving, much faster than ever imagined. While Kenya has also adopted the SEZ model, very little has been documented about SEZs in the Kenyan context, particularly regarding the factors driving their investment attraction. There is limited information about the number, locations, and characteristics of these zones. Given the dynamic nature of SEZs, it is crucial to appreciate the key factors that attract investment in the modern day. This study sought to provide insights into what determines investment attraction in SEZs in Kenya, broadening the understanding of SEZs—a topic that has garnered relatively little interest among researchers in Kenya. The outcome of this research is a foundation for further studies and an addition to the overall body of knowledge on SEZs by offering a deeper comprehension of the factors that contribute to their success.

1.6.3 Special Economic Zones

Tatu City is currently the only fully operational SEZ in Kenya, and its insights will be valuable for guiding the development of other SEZs. This study aimed to provide insights to help prevent other SEZs from becoming "white elephants," as many have remained underdeveloped or underutilized. Zone officials will also benefit by understanding what investors prioritize most, enabling them to make informed decisions to attract and retain investment.

1.7 Chapter Summary

This section examined the background of the study including investment attraction and an overview of special economic zones. The problem, objectives, questions, scope, and the significance of the research are other key subheadings that were discussed in this chapter

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This review explores key theories that anchored this research. Additionally, it presents a thorough analytical and critical analysis of related empirical studies; to identify the study gaps. The conceptual framework was also included to provide an elaborate explanation of the independent and dependent factors.

2.2 Theoretical Review

The section below discusses the doctrines that have the most significant relevance to the theme of this research, namely the Institutional theory and Dunning's Eclectic Paradigm. This study chose a multi-theoretical approach to provide a theoretical model that covers the study's multi-variables since no single theory relates to all the study variables.

2.2.1. Institutional Theory

Institutional theory was introduced by Meyer & Rowan (1977) and enhanced by DiMaggio & Powell (1983) explains how institutions shape organizational behaviour through formal rules, social norms, and cultural pressures. Institutional theory is very significant in the context of SEZs. It provides an insightful perspective in comprehending the dynamics of SEZs. This theory sees the social world as composed of institutions. North (1990) defines institutions as rules, customs and behaviours that structure social interactions and economic outcomes. This theory can be classified into three key approaches: Sociological, Rational Choice, and Historical Institutionalism. According to Thelen (1999), historical institutionalism examines how entities emerge and are integrated into distinct evolutionary processes. Rational choice scholars view institutions as establishments that influence individuals to select a particular outcome (Farrell, 2018). On the other hand, sociological institutionalism considers how institutions influence the identities and practices of organizations through normative and cognitive frameworks (Meyer & Rowan, 1977).

The origins of institutional theory are deeply embedded in the early history of social science shaped by innovative thinkers like Veblen, Marx and Weber, Mead, and Commons (Scott, 2005). According to Hartwell (2018), there is extensive literature on SEZs' overall performance i.e. economic expansion. However, very little research is available on the institutional impacts of these place-based policies. This research filled this gap by analyzing

the efficiency of the practices that shape special economic zone institutions in Kenya. On the other hand, (Hazakis, 2014) in his paper sought to explain SEZ rationale from an institutionalist methodological approach. His main argument was that literature should focus on how SEZs' cognitive, regulatory, and organizational aspects interact. It is argued that the gap between economic agents, institutional frameworks, and SEZ organizations could be addressed by emphasizing their interactions rather than analyzing them separately.

(Song et al., 2020) highlighted the advantages of place-based policies such as SEZs, and their role in enhancing specific aspects of institutional quality and stimulating the domestic market. Aggarwal, (2017) views SEZs as a mechanism to mitigate inefficiencies within a particular institutional setting. In an appropriate institutional environment, these zones tend to foster sustainable growth in an economy whereas, in an unsuitable institutional setting, they lead to misappropriation of resources and encourage rent-seeking behavior (Moberg, 2015a). Institutional theory illuminates how these economic zones operate as test environments for new regulatory and institutional arrangements. SEZ regulations are more flexible and business-friendly than those of the national government. Zeng, (2015) attributes the success of SEZs to these regulations by attracting investments and fostering business activities.

While the SEZ program has been notably successful in Asia and Latin America, it has generally underperformed in Africa, raising ongoing concerns about its long-term sustainability (Farole, 2011) Years later, this pattern remains largely unchanged, with only a few exceptions of success. This disparity is often attributed to the quality of institutions within which these SEZs operate. Getting the SEZ infrastructure right is a prerequisite that countries must prioritize to achieve the benefits of SEZs (Mangal, 2019). Quality institutions provide the necessary predictability and stability that foster investor confidence and promote economic success. In contrast, weak institutions characterized by corruption, poor governance, and political instability hinder SEZ performance, often rendering them economically unsustainable or transforming them into "white elephants"—underutilized infrastructure that fails to achieve its intended objectives.

While global best practices can guide SEZ design, institutional theory emphasizes that context-specific adjustments are crucial. Many African countries have replicated the Chinese SEZ model without adequately accounting for the institutional factors that are key determinants of success. Institutional theory, therefore, sheds light on SEZs as institutions that are shaped by, and interact with, other institutional factors, influencing their performance and sustainability (Moberg, 2015; UNCTAD, 2019). Given the extensive discussion on the function of institutions in molding the success of SEZs, it is evident that SEZ is an ideal case

of institutional environment enhancement and offers a significant opportunity to evaluate the effects of these institutions on various outcomes (Song et al., 2020).

Institutional theory supported this study by highlighting the importance of institutional quality in investment attraction. Strong institutions attract investors while weak institutions deter investors. This theory explains how the institutional environment i.e. governance, government policies, and incentives influence investment attraction in SEZs. This study investigated how these institutional aspects shape zone investor decisions. Countries around the globe that have implemented SEZs successfully have proven to have solid institutional frameworks, unlike Kenya which has reported institutional inefficiencies such as land acquisition issues. Due to limited research on special economic zones in Kenya, it's unclear whether the slow uptake of domestic and foreign investments is tied to institutional problems. This research addressed this contextual gap by assessing the role of Kenya's institutional environment in investment attraction.

2.2.2: Dunning's Eclectic Paradigm/ OLI Paradigm Theory

The Eclectic Paradigm, also referred to as the OLI paradigm theory was proposed by John H. Dunning during lecture affiliated to the nobel event in 1976 (Pedersen, 2003). OLI stands for Ownership, Location, and Internalization, which are the three key factors of the electric paradigm. The theory primarily focuses on improving a country's investment appeal, whether at the SEZ level or for individual firms. It posits that SEZs should provide a full range of incentives to attract foreign direct investment (FDI), including access to essential resources like raw materials, attractive tax incentives, competitive labor costs, good infrastructure, and favorable tariffs. This comprehensive package is intended to enhance the overall investment attractiveness of SEZs and facilitate the inflow of FDI. Although SEZs' primary objective is to attract domestic and foreign direct investment, the Eclectic Theory predominantly emphasizes the factors influencing foreign direct investment (FDI). This focus underscores the theory's relevance in explaining why multinational enterprises are attracted to SEZs, even as SEZs also seek to engage domestic investors.

Among the three factors in the eclectic paradigm, locational advantages play a crucial role in attracting multinational enterprises (MNEs). These advantages refer to specific attributes of a host country that can be accessed and utilized by all firms operating within that area, whether physically or legally established. Locational advantages involve essential complementary assets that exist outside the MNE's boundaries, which are specific to a particular location.

MNEs strategically organize their operations across different locations, including borders, to capitalize on variations in the quality, accessibility, and cost of specific assets. (Narula & Zhan, 2019).

Special Economic Zones (SEZs) offer three distinct types of locational advantages. The first is generic locational advantages, which are commonly provided by SEZs in low-income countries. These advantages include basic infrastructure, access to land, and availability of unskilled labor—features that are relatively easy to replicate across different regions (McIntyre et al., 1996). The second type is government-induced locational advantages, which are considered "intermediate" advantages. These are typically linked to government policies, such as subsidies and incentives, that are either offered broadly or specifically targeted at certain SEZs. Lastly, there are specialized locational advantages, which involve more unique and distinctive offerings. SEZs are more likely to succeed and attract investment when the benefits are more specialized.

Multinational enterprises (MNEs) typically look for advantages already present in the host location, such as in Special Economic Zones (SEZs). Additionally, further investment from these MNEs generally occurs when locational advantages are enhanced or improved (Narula & Santangelo, 2012). Ownership advantages are particular capabilities that multinationals looking to invest in an international country have that provide an advantage over their competitors, while internalization advantages are the gains multinationals get from directly controlling their businesses in the resident country as opposed to conducting arm's length transactions (Goriola G., 2024). The Eclectic Theory posits that for SEZs to attract offshore investors, they must successfully integrate all three elements explained above. If they fail to do so, their attractiveness may diminish. Therefore, fulfilling all these conditions is essential for effective FDI to occur (Nayak & Choudhury, 2014).

This study borrowed from the locational advantages described in Dunning's Eclectic Paradigm. Zone investors choose to invest based on the benefits offered in a location. These benefits include basic infrastructure, subsidies, and availability of land. Dunning argues that all these factors need to be present for FDI inflows. Some zones in Kenya lack some of these factors such as basic infrastructure, which, according to the OLI paradigm theory could discourage investors. This paper investigated whether these advantages also apply in the Kenya context and whether zone investors consider them as critical factors when making decisions.

2.3. Empirical Review of the Study

The section below presents an empirical review of the existing studies on the Investment Attraction Determinants of Special Economic Zones.

2.3.1 Zone Bulk Infrastructure and SEZ Investment Attraction.

According to the Special Economic Zones Act of Kenya (2015), infrastructure encompasses roads, power supply, water resources, drainage systems, telecommunications, sanitation, water treatment plants, networks, buildings, and other facilities essential for developing and operating special economic zones. This infrastructure should be tailored to each zone's specific sector or cluster focus. Tarigan (2019) conducted a study in Indonesia and established that integrated infrastructure is a vital incentive in SEZ development to attract investments. The study found that bulk infrastructure is a crucial aspect inside and outside the zone. In comparison, Mwansa et al.(2020) established a strong association between zone infrastructure and SEZ investment attraction. The research focused on companies that are operational in the Lusaka South Multi-Facility Economic Zone and those that have shown interest in investing. The study identified inadequate infrastructure as a significant challenge in the Lusaka zone. It emphasized that a blend of robust physical infrastructure and efficient administrative systems is essential to attract world-class investment. In contrast, Farole & Moberg (2017) argued that their outcomes have been notably inconsistent despite the theoretical benefits of SEZs and remarkable accomplishments in countries like China. In many instances, investments in zone infrastructure have led to "white elephants" that incur higher maintenance costs than the benefits they deliver.

A study conducted by Moberg, (2015) raised concerns about some SEZs becoming drags in the economy. According to Moberg, the Philippine authorities made considerable investments in infrastructure within the Bataan zone, including port upgrades, a new dam for energy supply, and the construction of high-quality office facilities. Despite these enhancements, the zone experienced prolonged challenges in attracting business, resulting in a costly project outcome for the government. In Sosnovskikh (2017) study of industrial clusters in Russia, a respondent highlighted the risks associated with building infrastructure before securing investor commitments. The respondent explained that this approach was misaligned with their local context, raising concerns about cost recovery for unused areas if investors are not immediately secured. They emphasized the importance of obtaining initial contractual commitments from investors, demonstrating both intent and financial capability, before

proceeding with infrastructure development. This strategy involves constructing infrastructure in a designated area tailored to each investor's specific needs, thereby mitigating financial risks associated with underutilized spaces within the SEZ.

Given the conflicting perspectives in the literature on the role of zone infrastructure in attracting investment, this study explored whether infrastructure should be developed first to draw investors or if investment interest and contractual commitments should precede infrastructure development. This evidence gap, marked by conflicting conclusions from previous studies, was addressed through data collected from zone investors on the role of bulk infrastructure. Existing research in Kenya has not presented any findings on the determinants of investment attraction in Kenyan SEZs. In addition, published information on SEZs is scarce in the country. This lays out the knowledge and contextual gaps that this study addressed.

2.3.2 Fiscal Incentives and SEZ Investment Attraction.

In the last couple of years, there have been increasing calls to review the effectiveness of EPZs and SEZs. Questions have been raised on whether the benefits these zones generate outweigh the losses incurred through tax incentives. Civil society organizations, such as the Tax Justice Network Africa, have proposed publishing the tax expenditures associated with these zones. This transparency would facilitate a cost-benefit analysis, providing a clearer basis for more informed decision-making. According to (Slattery & Zidar, 2020), despite the increased interest for place-based policies, many have questioned the effectiveness of these fiscal incentives and if the surge in costs is substantiated. In the United States, Bartik (2019) estimated that around \$46 billion of the \$60 billion spent on local economic development went to incentives, with the amount having tripled since the 1990s. A study conducted in Kenya on fiscal incentives and the financial performance of export processing zone businesses found a weak but positive correlation between tax incentives and the financial performance of these firms (Tembur, 2016). While nations often feel pressured to give generous tax incentives, Sacerdoti noted that these incentives are not as effective in attracting investment compared to other factors. (Sacerdoti & Asian Development Bank, 2015). However, older studies have an optimistic view of fiscal incentives and consider them important in determining the attractiveness of the zones (Aggarwal, 2005; Rolfe et al., 2004). Existing literature highlights the short-term role of fiscal incentives in attracting investment during the initial stages of zone establishment. Nonetheless, evidence on the long-term effectiveness of these financial incentives remains inconclusive. For example, in the

Philippines, SEZs established in economically disadvantaged areas did not manage to attract investment, despite offering attractive incentives (W. Ahmed et al., 2020). Another interesting study by Jasiniak & Koziński (2017) investigated the effectiveness of tax incentives for SEZs and their role in attracting potential investors to Poland. It found that tax incentives are a key consideration for investors in significant investment decisions. The research confirmed that competitive tax incentives are vital for drawing SEZ investors. The study also discovered that small firms are particularly drawn to SEZs offering the biggest tax breaks. While it accurately reiterated the significant role of tax incentives in attracting foreign investors to SEZs, its primary flaw is the false premise that tax incentives are the only key enablers of investment promotion in these areas. The paper overlooked other important factors, such as a country's general investment environment, the accessibility of bulk infrastructure, and the comparatively lower costs of labor and necessary skills. In contrast, Scheepers (2013) argued that tax incentives alone cannot attract FDI to Special Economic Zones (SEZs) unless they are supported by additional incentive packages or sweeteners. Existing studies on the influence of fiscal incentives in attracting investment have shown inconsistent results. Some are of the opinion that fiscal incentives are the most important factors while others argue that they are only critical in the short term. Previous research in Kenya has not presented any findings on the determinants of investment attraction in Kenyan SEZs. This study helped bridge the evidence, knowledge and contextual gaps through a rigorous analysis of the role of fiscal incentives on SEZs investment attraction in Kenya.

2.3.3 Zone Management and SEZ Investment Attraction.

In the past, SEZs were primarily established and operated by governments, with many experiencing failures. As a result, several countries revised their rules and regulations to allow the private sector to invest in and manage SEZs. By 2013, 62% of SEZs were operated by the private sector, with some zones under public-private partnerships (Tang et al., 2013). In Kenya, for instance, 30 SEZs are privately operated, while 7 are public zones. (Zeng, 2016b) examined the global experience of special economic zones. The research found that most zone developers, along with key government agencies, lacked experience in managing and operating zones. This lack of expertise significantly weakened their ability to implement programs effectively. Considering the complexity and diversity of the environments in which SEZ programs operate, the study concluded that a clear framework is necessary to direct their operations in the relevant countries. This framework should explicitly outline the responsibilities of the public and private sectors. Thus, while this study considered the overall

experience of SEZs, it left a gap on whether zone management played a critical role in investment attraction, which this research aimed to clarify. In comparison, Mwansa et al. (2020) examined the determinants of investment attraction in SEZs through an in-depth analysis of the Lusaka South Multi-Facility Economic Zone in Zambia. The study revealed that zone management could significantly impact investment decisions in the Multi-Facility Economic Zone, either positively or negatively. Most of the management staff in the economic zone management company lacked prior experience in managing SEZs. A major concern was the lack of marketing activities to promote the zone, which required immediate action from the zone management company. This study went beyond previous research by focusing on several SEZs in Kenya, rather than a single case study approach.

A notable aspect of Cambodia's experience with special economic zones is that the state delegated the development and zone management to private sector developers. This strategy helped bypass the significant and often inefficient public expenditure typically involved in SEZ setup costs in many other countries (Warr & Menon, 2016). A study by Pakdeenurit et al. (2017) explored the primary enablers of Special Economic Zone success in Thailand. Using data from most academic databases and the correlation test, the study found that eight factors correlate to the sustainability of SEZs globally. These factors include country's location advantages and macroeconomic environment, government stability, policy effectiveness, regulatory framework, skilled workforce availability, management quality, service standards, industrial investment support and incentives, trade value, and investment costs. In contrast, Frick et al. (2019) found that the zone management model (whether private, public, or public-private partnership) is less significant than often believed. No evidence to date has shown that private players are more efficient than public operators, or vice versa.

Previous studies on the role of zone management in attracting investment have shown mixed results with some reporting its importance and others showing zero impact. Existing research in Kenya has not presented any findings on the determinants of investment attraction in Kenyan SEZs. This research addressed the gaps by conducting a thorough study to clarify the role of zone management on SEZs' investment attraction in Kenya.

2.3.4 Marketing Strategies and SEZ Investment Attraction.

According to Khairil (2017), Investment promotion is a form of marketing communication aimed at providing information and influencing public interest in products or services. Buchory & Saladin (2006) explain that the promotion mix consists of direct sales,

advertisements, promotional campaigns and stakeholder engagement all of which help a company achieve its goals. To attract local and international investors, SEZs should employ a marketing communication strategy. Makuya, (2023) conducted a study in South Africa using a purposive sampling method sought to evaluate the efficiency of existing investment marketing and promotion strategies in ORTIA SEZ. He found that the IMP strategy in the SEZ was unfit for purpose and was due for a review. One of the recommendations given was to create interactions between the SEZ and South African embassies overseas, and to expand current FDI markets.

A study by Rustidja et al. (2017) in Indonesia emphasized the importance of Investment promotion strategies. This study found that the visualization of SEZs recognized the region's competitive value, considering socio-cultural and socio-economic factors, effective use of natural resources, adoption of technology, and overall capabilities. Through investment promotion, the zone's image was shaped around goods and services that met the expectations of the investor. Over time, this resulted in multiplier effects, benefit, and the achievement of performance targets for the SEZ as a strategic area. According to Aggarwal (2019), policymakers may establish a highly favorable business environment in SEZs, combined with targeted marketing to attract foreign direct investment (FDI). In contrast, they may adopt an enclave approach, prioritizing SEZ attractiveness and neglecting other factors. Previous studies have often overlooked the role of marketing in SEZs, even though it has shown to be a significant variable in attracting investment in other countries. This study explored whether this variable influenced investor decisions in Kenya and assessed its overall importance.

There is limited research on the effectiveness of marketing strategies in attracting investment in SEZs. Few studies that have considered marketing as an important factor have also emphasized its significance. This study explored the role of marketing strategies, and whether or not Kenyan zone investors consider them significant. Existing research in Kenya has not presented any findings on marketing strategies and special economic zones. This research addressed both the evidence and contextual gaps by conducting a thorough investigation into the role of marketing strategies in SEZ investment attraction in Kenya.

2.4 Summary of Research Gaps

Several studies have examined investment attraction in special economic zones. The following section summarizes the research gaps identified in these studies.

Table 2. 1: Summary of Research Gaps

Author	Title	Methodology	Research Findings	Gaps in the Study
Naeem et al. (2020)	Drivers and barriers for successful special economic zones (SEZs): Case of SEZs under China Pakistan economic corridor	Open-ended structured interviews Snowballing Sampling	The findings suggested that the government should decide which industries should be allowed entry into the zones, eliminating political interference. Secondly, zone promotions should prioritize competition over financial incentives.	This study presented an evidence gap. One of the main controversies identified in the paper was the role of financial incentives in the success of SEZs. Policymakers, academics, and analysts were skeptical about their effectiveness, while industrialists believed they were crucial. The current study sought to establish whether fiscal incentives are important for

				SEZ investment attraction
Frick et al. (2019)	Toward Economically Dynamic Special Economic Zones in Emerging Countries	Descriptive Regression Analysis	The main findings highlight that sustaining zone growth over time is challenging, upgrading technological and value-added components through SEZ policies is difficult, and larger zones tend to have better growth potential. Additionally, the performance of SEZs is significantly influenced by the country context	Evidence & Contextual gap Despite the significant rise in the number of SEZs, quantitative research on the factors driving their dynamism remains scarce (Susanne A. Frick & Wong, 2019). The study highlights the necessity for more systematic quantitative analyses to evaluate the universal applicability of the factors influencing SEZ performance.
Jasiniak & Koziński, (2017)	Tax incentives as an instrument attracting investors to Special Economic Zones	Questionnaire Survey SPSS Software	The study found that tax incentives are crucial elements in attracting investors to Special Economic Zones, with tax reliefs serving as an important investment incentive. However,	Evidence gap Current studies have largely downplayed the significance of fiscal incentives in SEZ investment attraction, this study sought to re-evaluate

			it also revealed that income taxes have a greater impact on investment decisions than local business costs.	this assumption, by exploring whether tax incentives are, in fact, a critical factor influencing investor decisions. By examining the case of investors in Kenya, this study provided new insights into the understanding of SEZ tax incentives.
Laryea et al. (2020)	Kenya's Experience with Special Economic Zones: Legal and Policy Imperatives	Secondary data	The study found that there is a policy confusion, as both the EPZ Act and SEZ Act have been allowed to operate concurrently. This poses a challenge to the new scheme and further burdens the economy with excessive tax incentives, which could lead to low tax revenues	Knowledge gap The study conducted in Kenya focused on a singular theme, specifically the legal and institutional framework. This study was multifaceted, considering various factors that affect SEZ investment attraction
Makuya (2023)	The Effectiveness Of Special Economic Zone Incentives As	Purposive Sampling Method	The IMP strategy needed a review, as it was inappropriate	The study identified the investment marketing

	A Tool For Investment Promotion And Attraction Of Foreign Direct Investment Inflows: A Case Of Or Tambo International Airport (ORTIA) SEZ	Document Analysis Semi-structured Interviews Thematic Analysis Methods	for its intended use. It also showed that the SEZ's IMP unit lacked the technical capability, experience, expertise, and abilities needed to effectively lead a results-based IMP operation.	promotion unit as the main cause hindering SEZ FDI inflows and why the SEZ did not meet its desired impacts. This study examined additional factors affecting local and foreign SEZ inflows.
Mwansa et al., (2020a)	Investing in the Lusaka South Multi-Facility Economic Zone.	Mixed Methods Approach Questionnaire Interviews Focus group discussions Qualitative Component – Thematic approach Quantitative part – Descriptive Statistics	The study established that the zone management firm faced significant administrative challenges in managing the zone, compounded by inadequate zone infrastructure	The paper utilized the case study approach, it highlights that most existing research on economic zones has similarly used this method, often focusing on a limited number of successful zones. This present study examined multiple zones in Kenya, including both successful and unsuccessful ones. and failure
Tieng et al., (2023)	Factors affecting investor satisfaction in the southeast	SPSS Regression model	The study established that investment incentives were the	This study was developed in Southeast Asia, a similar

	economic zone of Nghe An province		most significant and impactful factor on investor satisfaction, followed by the quality of the living environment	study is reiterated in an African country to compare the findings.
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Table 2. 1: Summary of Research Gaps

Source: Researcher (2025)



2.5 Conceptual Framework of the Study

The framework illustrates the relationships between the dependent and independent variables in the study. It hypothesizes how the independent variables interact with the investment attraction of special economic zones in Kenya.

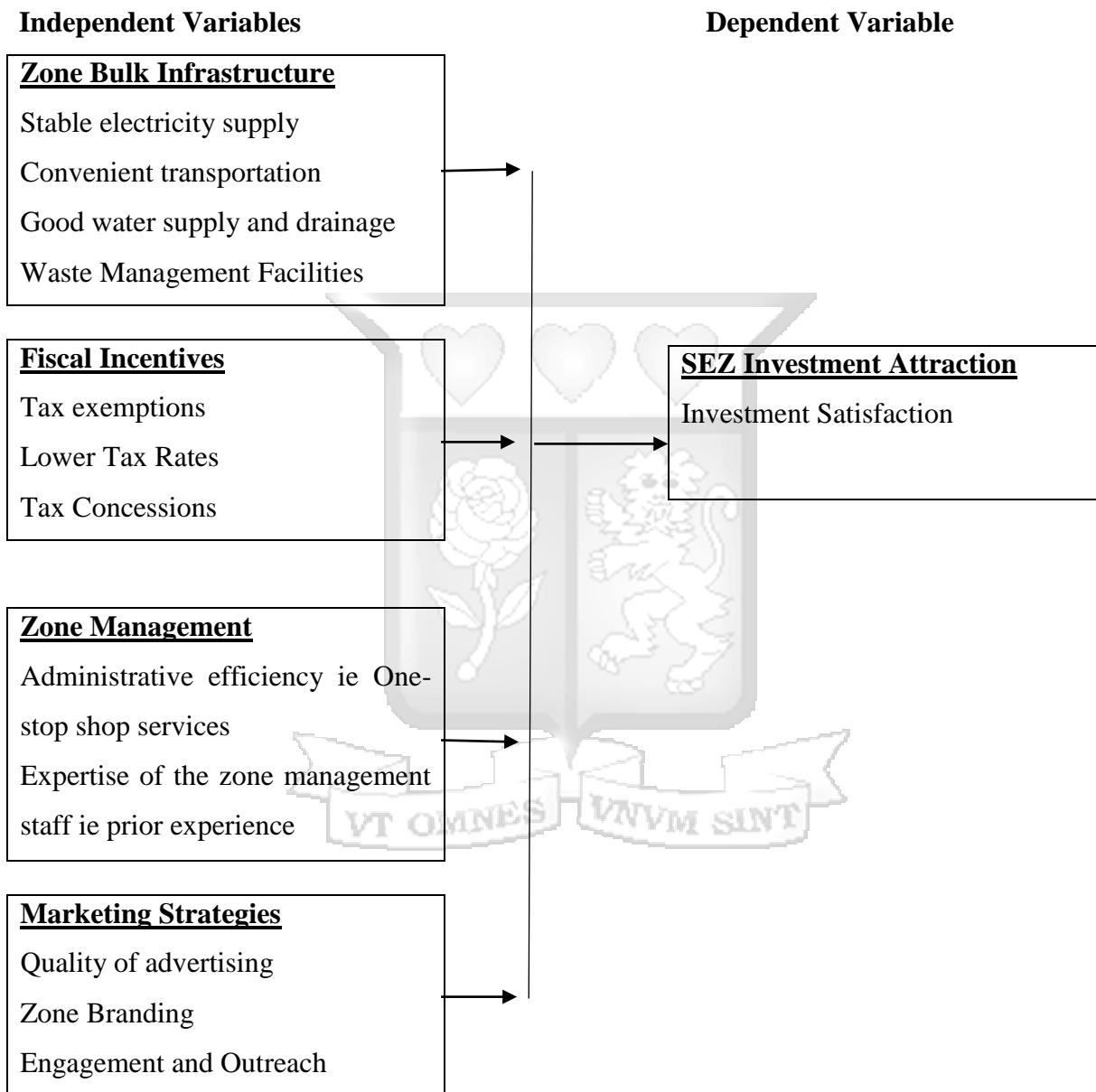


Figure 2.1: Conceptual Framework

Source: Researcher (2025)

2.6 Operationalization of the Study Variables

Table 2.2: Operationalization of Study Variables

	Variable	Indicators	Scale	Analysis	Source
Dependent variable	SEZ Investment Attraction	<ul style="list-style-type: none"> Number of Investors/Firms registered in the SEZs 	Numeric Scale	Quantitative <ul style="list-style-type: none"> Descriptive 	(Makuya, 2023)
Independent variable	Zone Bulk Infrastructure	<ul style="list-style-type: none"> Stable electric supply Convenient transportation Good water supply, drainage, and waste management facility 	Likert Scale Nominal Scale	Quantitative <ul style="list-style-type: none"> Descriptive Inferential 	(Tieng et al., 2023) (Zolotukhina et al., 2021)
Independent variable	Fiscal Incentives	<ul style="list-style-type: none"> Tax exemption Lower tax rates Tax concessions 	Likert Scale Nominal Scale	Quantitative <ul style="list-style-type: none"> Descriptive Inferential 	(Sinenko, 2016) (Nguyen & Tien, 2021)
Independent variable	Zone Management	<ul style="list-style-type: none"> Administrative efficiency ie. One-stop shop services. Expertise of the zone management staff ie. Prior experience 	Likert Scale Nominal Scale	Quantitative <ul style="list-style-type: none"> Descriptive Inferential 	(Mwansa et al., 2020d)
Independent variable	Marketing Strategies	<ul style="list-style-type: none"> Quality of advertising Zone Branding Engagement and Outreach 	Likert Scale Nominal Scale	Quantitative <ul style="list-style-type: none"> Descriptive Inferential 	(Makuya, 2023) (Mwansa et al., 2020c)

Table 2.2: Operationalization of Study Variables

Source: Researcher (2025)

2.7 Chapter Summary

This chapter discussed the theoretical and empirical literature on factors affecting investment attraction in Kenyan SEZs. It identified research gaps and presented both the conceptual framework and the operationalization of variables.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research philosophy, research design, population and sampling, data collection techniques, data analysis, research quality, and ethical considerations. It provides a detailed overview of the research methodology employed.

3.2 Research Philosophy

A research philosophy embodies beliefs that guide the structure and execution of a study, and diverse philosophies provide distinct views on scientific phenomena (Tamminen & Poucher, 2020). In business research, the research philosophies include positivism, interpretivism, realism and pragmatism. Interpretivism philosophy focuses on in-depth and situational factors; it sees people as unique from natural events as they form deeper meanings based on the notion that people cannot be examined like scientific phenomena. (Alharahsheh & Pius, 2020). Realism emphasizes that reality exists apart from human conceptions, hypotheses, and creations. In contrast, Pragmatism entails the use of both subjective and objective approaches to comprehend the world and solve its issues. (Elgeddawy & Abouraia, 2024).

This study employed a positivist research philosophy. This research philosophy is based on the belief that factual information can only be derived through observation and measurement (Park et al., 2020). Positivist researchers examine hypotheses quantitatively and aim to develop general rules that describe and predict various phenomena. They view the world as composed of observable and measurable factors and emphasize that research should remain objective and unbiased (Toyon, 2023). A positivist approach emphasizes the gathering of quantitative data through research techniques, such as closed-ended questionnaires, experiments, and structured interviews (Nickerson, 2022). This research performed an entirely objective research and produced generalizable findings that apply to Kenya's special economic zones.

3.3 Research Design

A research design is a blueprint that is adopted to answer the questions validly and reliably during research. In order to examine the connections between the independent factors (zone bulk infrastructure, fiscal incentives, zone administration, and marketing tactics) and the dependent variable (SEZ Investment Attraction), the study used a descriptive correlational

design. Descriptive correlational research explains the relationship between variables rather than drawing conclusions on the outcome. (Lappe, 2000). Aprecia et al.(2022) described the variables in a study and quantified the extent of relationships that exist between them using a descriptive correlational research approach. In this study, determinants of SEZ attraction and investment attractiveness were described, and their relationships assessed to provide deeper insights into how each factor influences investment attraction.

3.4 Population and Sampling

A population is a group of units that have the variable characteristic being studied and from which the results of the study can be generalized (Shukla, 2020). It includes every unit to which the results of the investigation can be applied. It simply refers to the complete set of individuals or items that the researcher aims to study. The target population comprised of 37 Special Economic Zones. Of these, thirty (30) are private zones, while seven (7) are public zones (SEZ Authority, 2023).

Sampling involves selecting a smaller group to represent the entire population. Purposive sampling was used to select the SEZs to be studied. This is a non-probability method, sometimes referred to as selective or subjective sampling, where the researcher, using their discretion, chooses particular units (such as people, organizations, data or events) that are most relevant to the study. The study focused on 5 SEZs in Nairobi County and its environs, chosen purposively based on their notable progress in attracting active or prospective investments. Four were private SEZs, while only one was public. This approach was appropriate as it allowed the researcher to select SEZs most likely to provide rich information for a thorough analysis of the issues addressed in the study.

The target respondents included 60 zone investors. Simple random sampling was used to select the 60 zones investors from a target population of 90 investors. These respondents were selected purposively to provide insights into the determinants of investment attraction in SEZs. Zone investors had first-hand experience with the operational and investment conditions within SEZs. The sample size was small because the SEZs in Kenya are still in the establishment phase, which limited the number of active investors available for participation.

3.5 Data Collection Techniques

Primary data for the research study was gathered using close-ended questionnaires. Cerar et al. (2021) define primary data as first-hand information and evidence about a study object. The questionnaire consisted of three parts. Section A collected the target respondents' profiles. Section B contained questions on determinants of investment attraction. Section C

contained questions on SEZ Investment attraction and challenges. The items in the questionnaire used a Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaires were distributed via the drop and pick strategy and through an online survey. They were distributed to the selected SEZs in Nairobi and its environs.

3.6 Data Analysis

Before analyzing the data, the collected questionnaires were reviewed for completeness. Cases with missing data were addressed through listwise deletion, where incomplete responses were removed from the dataset. Once the data was cleaned, descriptive and inferential statistics were used for analysis.

Descriptive statistics was used to summarize and interpret the data. Descriptive statistics summarize, describe, and classify data in a clear and understandable manner without losing or distorting information (Rai & Thapa, 2015). Inferential statistics, specifically multiple linear regression, was applied to explain the link between the independent factors (zone bulk infrastructure, fiscal incentives, zone management and marketing strategies) and the dependent variable (investment attraction). Inferential statistics include parametric techniques such as Pearson's correlation and regression analysis, as well as non-parametric methods like chi-square tests. These techniques are used to make generalizations about the population by studying a sample selected from that population. Researchers can then use the sample statistics to draw inferences about the population parameters.

Data analysis was conducted using SPSS (Statistical Package for Social Sciences) software. The regression model demonstrated below was applied:

$$IA = \beta_0 + \beta_1 ZBI + \beta_2 FI + \beta_3 ZM + \beta_4 MS + \epsilon_i$$

Where:

IA = Investment Attraction

ZBI = Zone Bulk Infrastructure

FI = Fiscal Incentives

ZM = Zone Management

MS – Marketing Strategies

β_0 = Constant (intercept)

$\beta_1, \beta_2, \beta_3$ = Regression Coefficients

ϵ = Error Term

Key diagnostic tests were conducted to ensure the validity of the regression model. Linearity was assessed through scatter plots of residuals against fitted values to confirm that the association between the independent and dependent factors is linear. Q-Q plots were used to assess the residuals' normality and confirmed that they had a normal distribution. To make sure the independent variables are not significantly linked, multicollinearity was examined using the Variance Inflation Factor (VIF). These tests ensured that the regression model met the necessary assumptions for reliable results.

3.7 Research Quality

The quality of this study was established by assessing the validity and reliability of the research instruments. A pilot study was undertaken to ensure the adequacy of the proposed data collection method. According to Mugenda & Mugenda (2008), a pilot study sample size of 10% of the population is considered adequate. Therefore, 10 zone investors from Tatu City were selected for the pilot study.

3.7.1 Validity

The validity component in a study is about the evaluation of how accurate is the measure of data or outcomes (Ahmed & Ishtiaq, 2021). The questionnaire was developed under the guidance of a supervisor at Strathmore University. Content validity was assessed by seeking feedback from experts in SEZs to ensure that the questions covered the relevant aspects of investment attraction. The questionnaire's validity was improved through a pilot study. A pilot study was implemented with 10 respondents in Tatu City SEZ to assess the clarity and comprehension of the questionnaire items.

3.7.2 Reliability

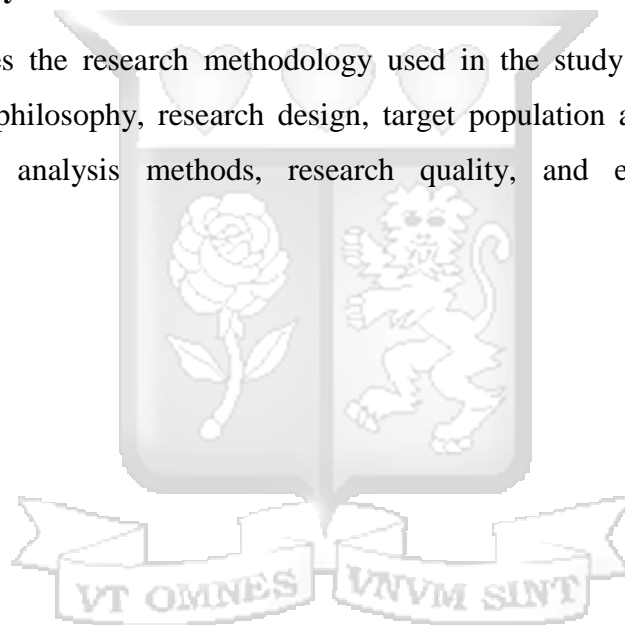
Reliability refers to the degree in which observed and measured values remain consistent when measurements are repeated under the same conditions using the same tool (Sürücü & Maslakci, 2020). The test-retest method was used to test for reliability through the administration of a questionnaire. Test-retest reliability is a statistical method that involves repeating the measurement procedure on the same individuals under conditions that are as similar as feasible and comparing the findings to estimate measurement error components (Marcial & Launer, 2021). Additionally, Cronbach's alpha was used to compute the questionnaire's internal consistency coefficient following data collection. According to (Ravinder & Saraswathi, 2020), a Cronbach's Alpha value above 0.70 shows good reliability. Linearity, Normality, and Multicollinearity diagnostic tests were conducted to ensure the regression model met the necessary assumptions for reliable results.

3.8 Ethical Considerations

This study contributes new insights into the factors affecting investment attraction in selected special economic zones (SEZs) in Kenya. To do so, the researcher ensured adherence to ethical standards and the appropriate conduct of research, as per the guidelines set by Strathmore University. Approval was sought from the Strathmore Ethics Board (SREB), and a research permit obtained from the National Commission for Science, Technology, and Innovation (NACOSTI). Through this approach, the study enhanced academic knowledge and complied with the procedures and guidelines governing research activities within the jurisdictional and institutional contexts.

3.9 Chapter Summary

This chapter describes the research methodology used in the study. The aspects covered include the research philosophy, research design, target population and sampling strategy, data collection and analysis methods, research quality, and ethical considerations.



CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents and interprets the findings of the study based on data collected from five SEZs in Nairobi County and its environs. The analysis is structured to reflect the key variables identified in the conceptual framework: zone bulk infrastructure, fiscal incentives, zone management, marketing strategies, and investment attraction. Beginning the descriptive analyses, diagnostic tests, correlation results, and regression outcomes are used to assess the influence of each independent variable on investment attraction.

4.2 Response Rate

This section presents the response rate of the data collection process, which is a critical metric in determining the validity and generalizability of research findings. Out of the 60 distributed questionnaires, 57 were successfully filled and returned, representing a response rate of 95.0%, while 3 were not returned, accounting for 5.0% of the sample (Table 4.1). A response rate of 95.0% is considered exceptionally high in survey-based research and adds considerable credibility to the study's findings. According to Babbie (2020), a response rate above 70% is generally acceptable for most social science research and is likely to yield reliable and representative results. Similarly, Fincham (2008) emphasized that higher response rates minimize non-response bias, enhancing the internal validity of a study and improving the robustness of its inferences.

Table 4.1: Response Rate

	n	%
Response	57	95.0
Non-response	3	5.0
Total	60	100.0

Source: Research Data (2025)

In the context of business and management studies, such a strong participation level strengthens the claim that the perspectives gathered are reflective of the broader population of SEZ investors in Nairobi County and its environs. This robustness is crucial given the study's aim of informing policy and institutional strategies. Researchers such as Baruch and Holtom

(2008) have noted that response rates for organizational research typically hover between 35% and 60%, making a 95% return rate a methodological strength that supports the reliability of the conclusions drawn.

The high response rate could be attributed to the use of purposive sampling targeting engaged and active SEZ investors, as well as the deployment of questionnaires through the drop-and-pick method, which allows respondents time to provide considered responses while ensuring follow-up. This method is often recommended in empirical studies involving busy professionals or high-level organizational stakeholders (Creswell & Creswell, 2018).

4.3 Reliability Analysis

As indicated in Table 4.2, all the study constructs achieved Cronbach’s Alpha values exceeding the 0.70 threshold. Zone bulk infrastructure recorded a value of 0.739 across six items, suggesting a reliable grouping of indicators that measured physical infrastructure quality within the SEZs. Fiscal incentives scored an alpha of 0.773, reflecting strong consistency across four items related to tax exemptions and financial inducements. Zone management yielded a reliability coefficient of 0.713, while marketing strategies recorded 0.700, both meeting the benchmark for reliable constructs. Investment attractiveness, though measured using only two items, still attained a respectable reliability score of 0.730, indicating coherence in capturing the essence of investor perceptions.

Table 4.2: Reliability Analysis

Variable	Cronbach Alpha	Items	Decision
Zone Bulk Infrastructure	0.739	6	Reliable
Fiscal Incentives	0.773	4	Reliable
Zone Management	0.713	3	Reliable
Marketing Strategies	0.700	4	Reliable
Investment Attractiveness	0.730	2	Reliable

Source: Research Data (2025)

These findings reinforce the robustness of the instrument used in data collection and affirm that the grouped items within each construct were measuring a consistent latent concept. According to George and Mallery (2019), alpha values between 0.70 and 0.80 are generally regarded as acceptable, especially in exploratory research, such as this study, which seeks to identify relationships among previously underexplored variables in a local context. The use of Cronbach’s Alpha was particularly appropriate for this research, as it involved Likert-scale

data and constructs composed of multiple items—both conditions under which the alpha coefficient is most effective (Gliem & Gliem, 2003). Further, the high response rate combined with reliable constructs enhances the statistical power and overall credibility of the findings.

4.4 Validity Analysis

Content validity was established through expert reviews of the questionnaire to ensure alignment with key constructs underpinning investment attraction in Special Economic Zones (SEZs). The study engaged subject matter experts, including SEZ professionals and academic advisors, to evaluate the appropriateness, relevance, and comprehensiveness of the items in capturing the targeted domains—namely zone bulk infrastructure, fiscal incentives, zone management, marketing strategies, and investment attractiveness. Expert input is a recognized method for validating research instruments, particularly in applied settings where constructs are context-specific and may lack standardized measurement tools (Haynes et al., 1995).

4.5 Demographic Profile

This section presents the demographic characteristics of the surveyed respondents, providing essential context for interpreting investment decisions and experiences across various Special Economic Zones (SEZs) in Nairobi County and its environs. Demographic data in empirical research offers valuable insights into the diversity of respondents and strengthens the credibility of findings by demonstrating that the sample adequately represents the population under investigation (Creswell & Creswell, 2018). The variables analyzed include the name of the SEZ, length of operation, mode of registration, type of business, and prior SEZ experience.

4.5.1 Name of SEZ

Tatu City constituted nearly half of the surveyed population at 49.1%, followed by Nairobi Gate with 19.3%, Triffic at 14%, Compact FTZ at 10.5%, and Konza City at 7% (Figure 4.1). The distribution reflects a sample drawn from both private and public SEZs with varying degrees of operational maturity. Tatu City's dominant representation is consistent with its status as the most operational and investor-active SEZ in Kenya. This pattern is important, as it allows for a comprehensive understanding of SEZ performance from more active zones alongside those still in development phases. Representativeness across the selected zones

contributes to external validity, which refers to the extent to which the findings can be generalized to the wider population (Saunders et al., 2019). A mix of SEZ types also helps capture contrasts in investment experiences across regulatory and operational environments.

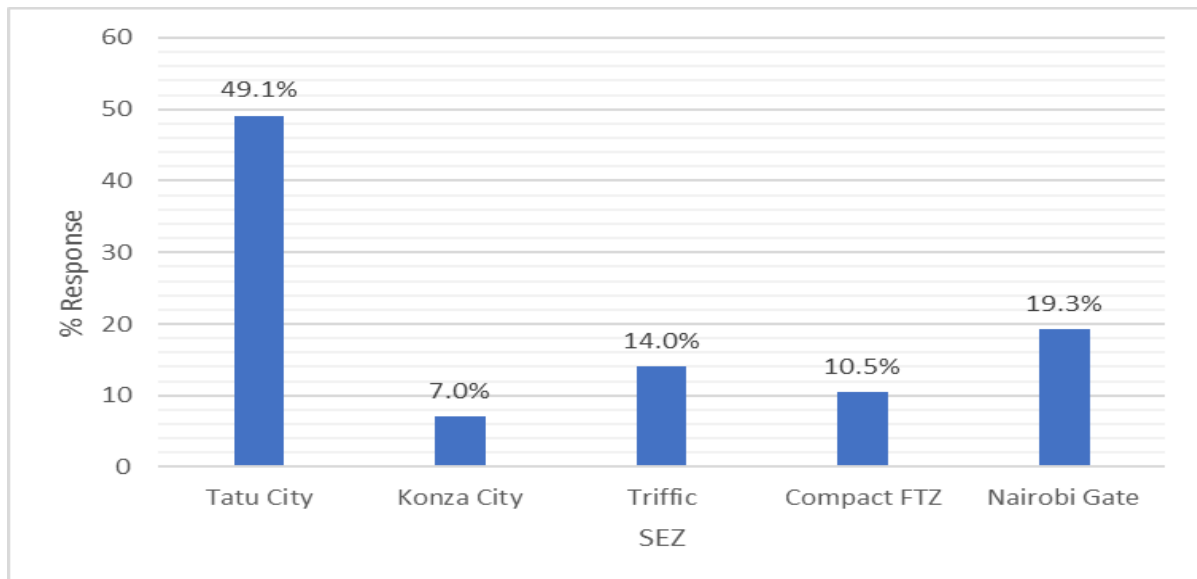


Figure 4.1: SEZs Surveyed
Source: Research Data (2025)

4.5.2 Length of Operation in SEZ

A significant portion of respondents had operated in their respective SEZs for a substantial duration, with 36.8% having stayed between four to six years, and 29.8% operating for more than six years (Figure 4.2). These investors are well-positioned to provide reflective and experience-based evaluations of the zones' effectiveness, having observed policy shifts, infrastructure development, and administrative evolution. Maturity in operation time contributes to data reliability, as experienced respondents are less likely to provide speculative responses and more likely to assess zone performance on the basis of actual outcomes (Fowler, 2014). This level of tenure strengthens the reliability of perceptions captured in this study and aligns with recommendations by Babbie (2020), who emphasizes the importance of engaging informed stakeholders in evaluative studies.

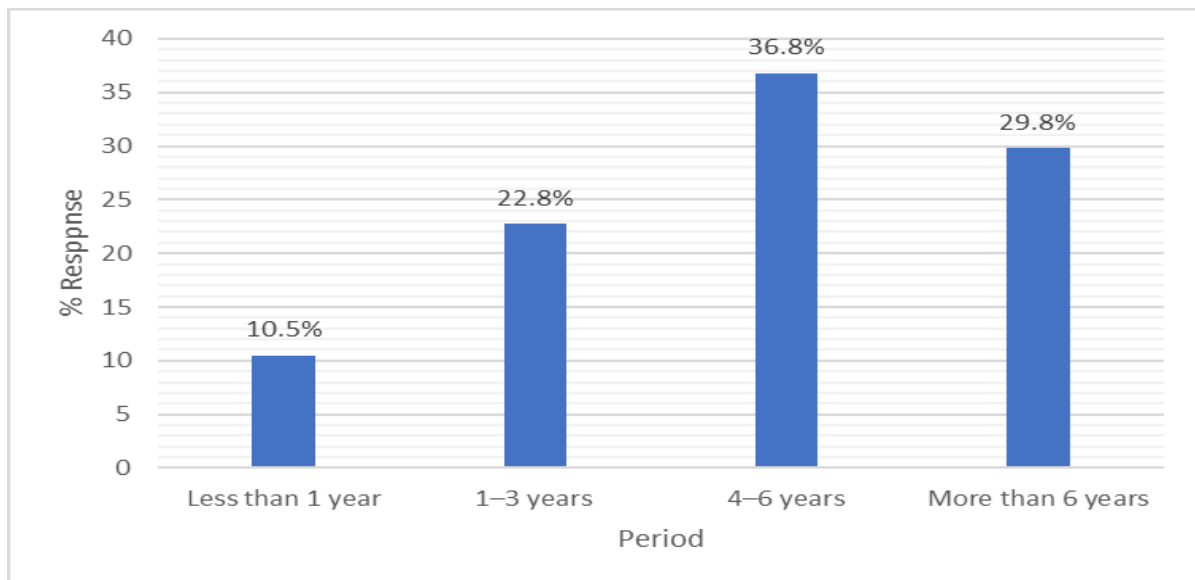


Figure 4.2: Length of Operation in SEZ

4.5.3 Mode of Registration

The distribution of firm registration types included 50.9% local firms, 28.1% joint ventures, and 21.1% foreign-owned enterprises (Figure 4.3). This reveals that SEZs have attracted a blend of domestic and international investments, consistent with their dual mandate of fostering local industrialization and positioning Kenya competitively within global value chains. The balance also reflects the objectives of the SEZ Act, which seeks to stimulate both inward foreign direct investment and homegrown enterprise development. A mixed investor base provides fertile ground for comparative analysis of incentive effectiveness and institutional performance from both domestic and foreign perspectives. Saunders et al. (2019) argue that understanding stakeholder diversity enhances the interpretability of research findings and enables the drawing of nuanced conclusions about policy impact.

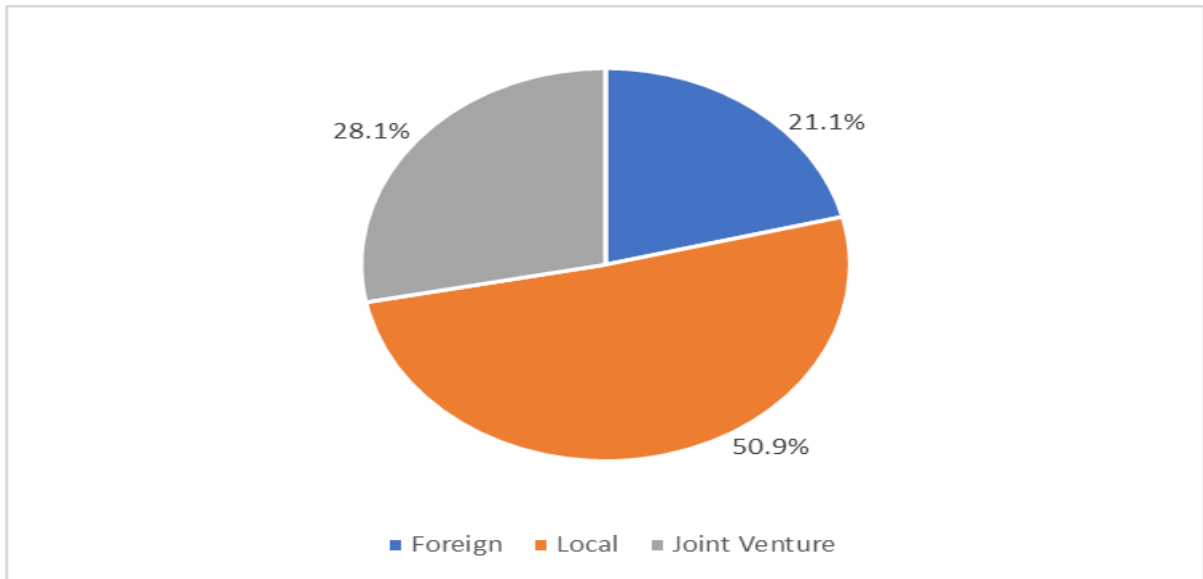


Figure 4.3: Mode of Registration

4.5.4 Type of Business

Manufacturing and logistics dominated the sample at 33.3% and 31.6%, respectively, while ICT/technology accounted for 15.8% and other services for 19.3% (Figure 4.4). These results align with the industrial orientation of SEZs, particularly their design to support sectors like agro-processing, logistics, and light manufacturing. The presence of technology and service-based firms suggests a widening of SEZ utility beyond traditional production to knowledge-intensive activities. This diversification is a positive signal, especially in light of global SEZ trends that encourage high-value, innovation-driven investments (UNCTAD, 2019). Mixed sectoral engagement reflects the flexibility and relevance of SEZs to evolving investor priorities and supports the goal of creating employment, increasing exports, and enhancing industrial competitiveness.

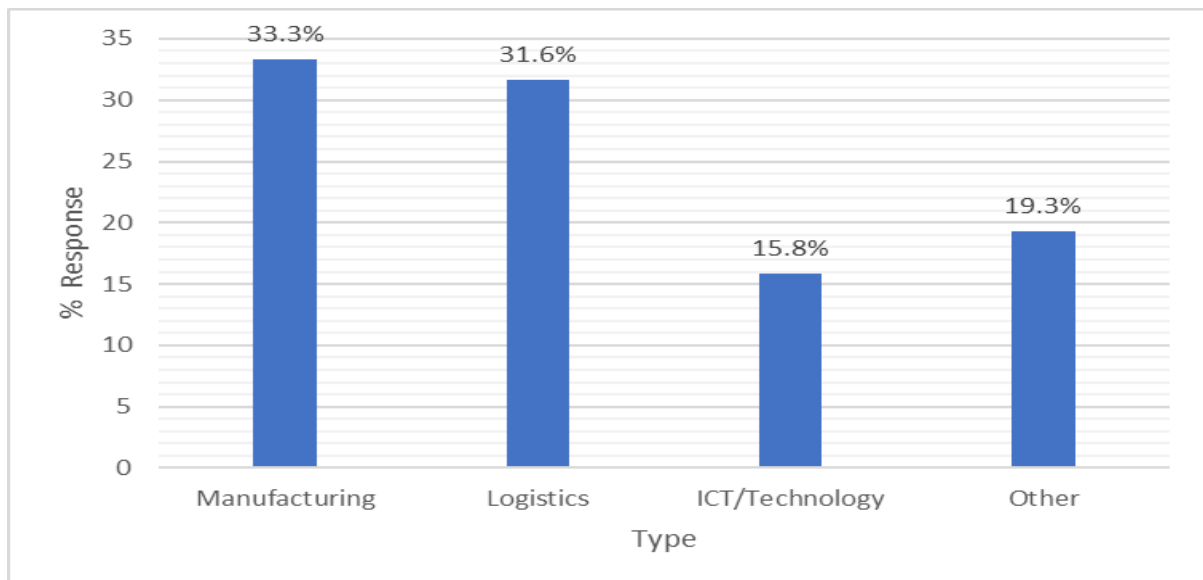


Figure 4.4: Type of Business

4.5.5 Previous Operation in SEZ

Approximately 54.4% of respondents had not previously operated in an SEZ, while 45.6% had such experience (Figure 4.5). This finding suggests that Kenya’s SEZ ecosystem is drawing in a new generation of investors, many of whom are engaging with the concept for the first time. The novelty of participation emphasizes the importance of investor readiness programs, tailored onboarding services, and clear communication of zone benefits and obligations. As noted by Robson and McCartan (2016), understanding the baseline experience of participants is key to interpreting perceptions and expectations accurately. New entrants are more likely to judge SEZs based on how well they bridge the gap between promise and delivery, making their feedback especially useful for assessing zone marketing, facilitation, and support mechanisms.

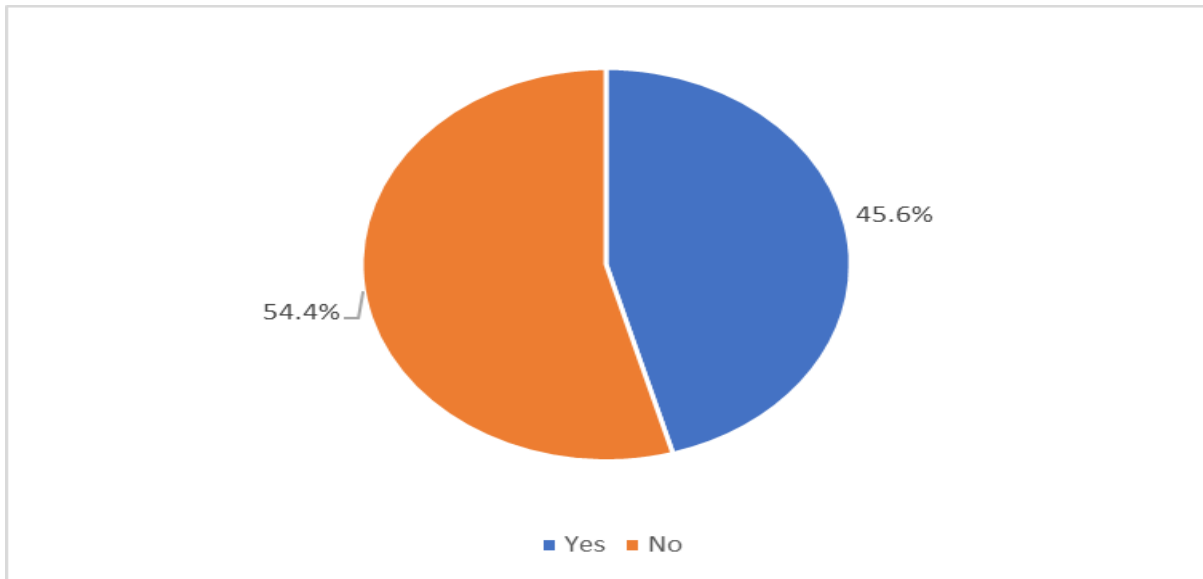


Figure 4.5: Previous Operation in SEZ

4.6 Zone Bulk Infrastructure

Respondents were asked to indicate the extent to which they agree with statements posed regarding zone bulk infrastructure. The construct encompasses utilities such as electricity, transportation, water supply, drainage, and waste management. Infrastructure remains a foundational pillar in economic development, and in the context of SEZs, it is viewed as a precondition for investor attraction due to its impact on cost-efficiency and operational continuity (Zeng, 2015). Responses were given on a 5-point Likert Scale, where: 1 =strongly disagree, 2 = disagree, 3 =Not Sure, 4 = Agree, 4 = Strongly agree). Results are presented in Table 4.2.

Table 4.3: Zone Bulk Infrastructure

	Mean	Std. Dev
The SEZ has a stable and reliable electricity supply.	4.772	.535
The SEZ is conveniently located with good transportation networks (e.g., road, rail, or air access)	4.719	.526
There is adequate water supply within the SEZ to meet the needs of businesses.	4.684	.572
The SEZ has a well-functioning drainage system to prevent flooding or waterlogging.	4.526	.710
The SEZ has an effective waste management facility	4.456	.758
Overall	4.632	.620

The findings reflect a strong consensus among investors regarding the importance of physical amenities, with overall agreement across all indicators averaging a high mean score (M = 4.63). Stable electricity supply (M = 4.77) and convenient transportation (M = 4.72) emerged

as the most critical elements. These findings reinforce the argument by Mwansa et al. (2020), who emphasized that infrastructure deficiencies hinder investor uptake in SEZs. The preference for zones with efficient drainage and waste management further aligns with the notion that investors assess environmental reliability when committing capital. While Sosnovskikh (2017) advocated for investor commitments before infrastructure rollout to avoid stranded assets, this study reveals that pre-established infrastructure is a significant pull factor. Investors show a clear inclination toward zones that provide ready-to-use facilities, possibly because they reduce setup time and operational uncertainty. Tarigan (2019) identified infrastructure as a prerequisite for SEZ success in Indonesia, and the data here suggests a similar pattern within the Kenyan context. However, the correlation between bulk infrastructure and investment attraction was statistically insignificant ($r = .025$, $p = .851$), indicating that while infrastructure is a critical enabler, it may not independently guarantee investor commitment unless complemented by other factors.

Investors were asked to evaluate infrastructure factors such as electricity, transport, water supply, drainage, and waste management. These elements are foundational to any productive investment environment. As argued by Zeng (2015), infrastructure reliability often determines the functional capacity of zones to support business activity. The results reveal that the majority of respondents rated zone bulk infrastructure as highly influential in their decision-making. Specifically, 66.7% indicated it influenced them to a large extent, and 28.1% stated it influenced them to a very large extent (Figure 4.6). Only 5.3% rated the influence as moderate or lower. These figures confirm that infrastructure remains a dominant factor in location selection among SEZ investors. Investors are unlikely to absorb the risks and costs associated with unreliable or absent public services. Mwansa et al. (2020) emphasized this by showing that delays in infrastructure delivery undermine investor trust and zone credibility.

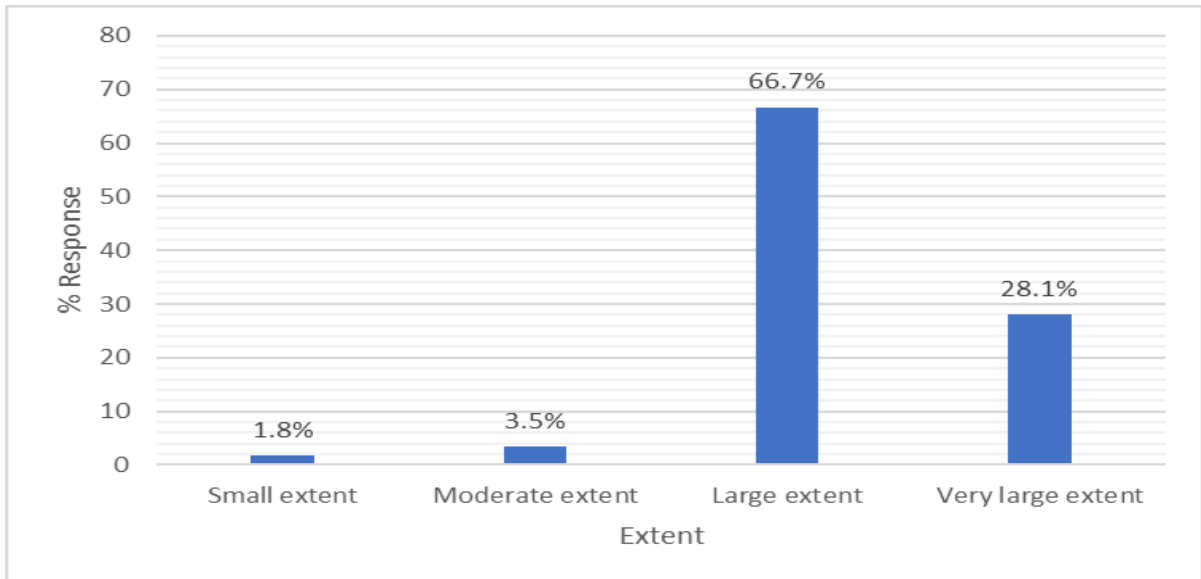


Figure 4.6: Extent of Zone Bulk Infrastructure Influence

4.7 Fiscal Incentives

Respondents were asked to indicate the extent to which they agree with statements posed regarding fiscal incentives. Incentives such as tax exemptions, reduced tax rates, and concessions are typically offered as financial motivators to enhance investor returns and mitigate startup risk. The economic rationale behind such incentives is rooted in neoclassical investment theory, which suggests that lower operational costs drive investment in targeted areas (Jasiniak & Koziński, 2017). Responses were given on a 5-point Likert Scale, where: 1 =strongly disagree, 2 = disagree, 3 =Not Sure, 4 = Agree, 4 = Strongly agree). Results are presented in Table 4.4.

Table 4.4: Fiscal Incentives

	Mean	Std. Dev
Tax exemption influenced my decision to invest or operate in the SEZ.	3.772	1.018
Lower tax rates influenced my decision to invest or operate in the SEZ.	3.702	1.085
Tax concessions influenced my decision to invest or operate in the SEZ.	3.825	1.088
Overall	3.766	1.063

As shown in Table 4.4, the item with the highest mean score was tax concessions ($M = 3.825$, $SD = 1.088$), followed by tax exemptions ($M = 3.772$, $SD = 1.018$), and lower tax rates ($M = 3.702$, $SD = 1.085$). The overall mean score for the construct was 3.766 ($SD = 1.063$), indicating a moderate level of agreement across the respondents. These scores suggest that while fiscal incentives are viewed positively, they are not rated as highly decisive in comparison to other SEZ attributes such as infrastructure or governance quality.

The presence of relatively high standard deviations (above 1.0 across all items) indicates a notable variation in investor opinions. This variation may be linked to the differing needs of local versus foreign firms, sector-specific cost structures, or the scale of investment. Smaller or domestic firms may perceive incentives as more critical to viability, whereas larger multinationals may prioritize predictability, administrative efficiency, or infrastructure access (Slattery & Zidar, 2020).

The findings in this study mirror arguments by Sacerdoti and the Asian Development Bank (2015), who suggest that while fiscal incentives may encourage investment in the short term, they rarely sustain investor interest without institutional and operational support. Investors typically evaluate incentive schemes as part of a wider assessment of investment readiness, including regulatory clarity, administrative support, and ease of repatriating profits. While earlier studies, including Jasiniak and Koziński (2017), noted that tax incentives can drive investment into SEZs, the evidence from this study suggests that in the Kenyan context, fiscal tools may be effective only when embedded in a broader framework of investor facilitation. This interpretation aligns with insights from Zeng (2016), who found that successful SEZs combine fiscal levers with stable governance and supportive infrastructure.

Understanding this distribution helps contextualize the quantitative mean scores from the Likert-scale statements and provides additional insight into investor priorities across the sampled zones. According to the results in Figure 4.7, a substantial proportion of investors—49.1%—indicated that fiscal incentives influenced their investment decisions to a *moderate extent*. Another 38.6% of respondents found the influence to be either *large* (19.3%) or *very large* (19.3%). Only a small minority (12.3%) perceived the influence of fiscal incentives to be minimal or non-existent.

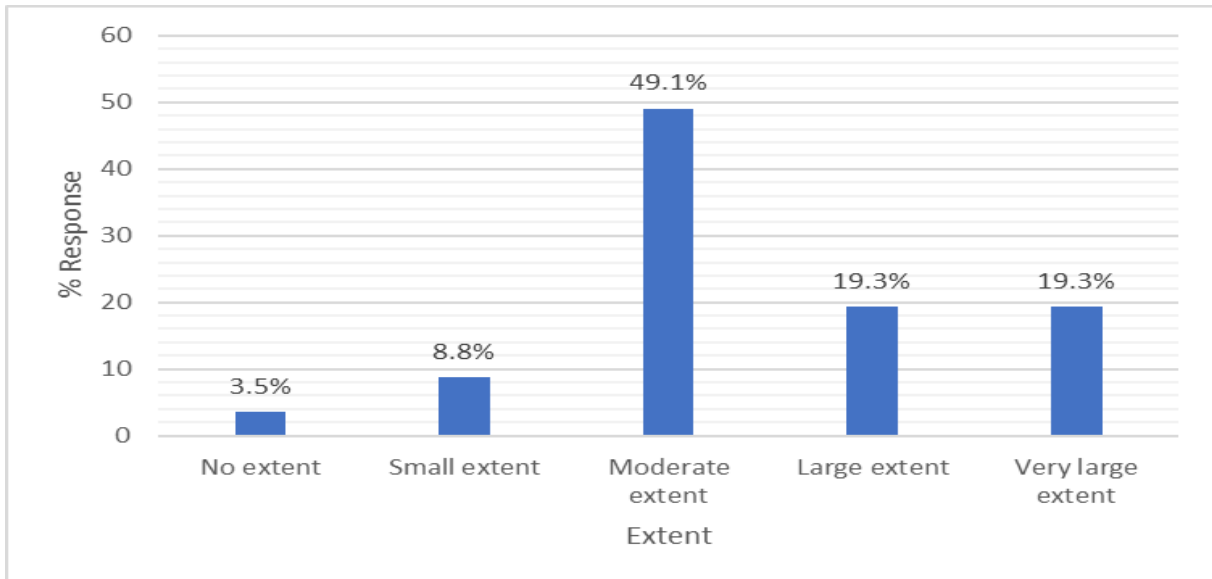


Figure 4.7: Extent of Fiscal Incentives Influence

This distribution reinforces earlier findings from Table 4.4, which showed that while tax-related incentives are not universally seen as decisive, they remain a valued component of the broader investment environment. The results support the notion advanced by Slattery and Zidar (2020), who concluded that fiscal incentives often serve as “tiebreakers” in investment decisions. Investors may not view them as primary motivators, but in contexts where other conditions are comparable—such as infrastructure, administrative support, and location—fiscal incentives can tilt the decision in favor of one zone over another.

Sacerdoti and the Asian Development Bank (2015) highlight a similar dynamic, suggesting that while tax reliefs and concessions may influence short-term decisions, their long-term efficacy depends on whether they are part of a stable and predictable investment climate. The fact that nearly 40% of respondents rated the incentives as having a *large* or *very large* influence indicates that fiscal tools still carry strategic weight, especially among firms operating in high-cost or capital-intensive industries.

The findings point to the need for zone authorities to communicate incentive packages clearly and ensure that they are accompanied by streamlined access and administrative support. In practice, incentives that are difficult to access or poorly administered may lose their effectiveness, regardless of their value on paper. This was also noted in the study by Jasiniak and Koziński (2017), which warned against overestimating the standalone power of fiscal tools when not backed by institutional capacity.

4.8 Zone Management

Respondents were asked to indicate the extent to which they agree with statements posed regarding zone management. Management capacity is a fundamental component of institutional performance and directly affects how investors experience regulatory processes, access services, and resolve issues. According to Aggarwal (2017), successful SEZs are often distinguished not just by infrastructure or incentives, but by how well they are managed and how responsive the administration is to investor needs. As shown in Table 4.5, respondents reported high levels of agreement regarding the influence of management factors on their investment decisions. The mean score for administrative efficiency was 4.386 (SD = 0.774), while the expertise of zone staff recorded a slightly higher mean of 4.404 (SD = 0.923). The overall construct average stood at 4.395 (SD = 0.848), indicating consistently strong perceptions across both indicators.

Table 4.5: Zone Management

	Mean	Std. Dev
The administrative efficiency (e.g., one-stop shop services) influenced my decision to invest or operate in the SEZ	4.386	.774
The expertise of the zone management staff (e.g., prior experience) influenced my decision to invest or operate in the SEZ	4.404	.923
Overall	4.395	0.848

These results suggest that investors highly value management systems that are clear, coordinated, and capable of delivering efficient services. The presence of one-stop shop services—designed to consolidate investor-related processes under a single administrative umbrella—was particularly noted for its influence. As Mwansa et al. (2020) observed in Zambia’s Lusaka South Multi-Facility Economic Zone, administrative delays and lack of staff expertise were cited as key barriers to investor satisfaction and retention. The high mean scores in this study reinforce the broader literature on institutional theory, which emphasizes the role of governance structures in shaping economic outcomes (North, 1990). Investors rely on predictability and efficiency in administrative environments, especially in contexts with regulatory complexity or evolving policies. Effective SEZ management minimizes uncertainty, reduces transaction costs, and builds trust—factors that are central to long-term investment retention (Zeng, 2016).

Staff expertise also emerged as a strong influencer of investment decisions. Investors appear to differentiate between zones managed by experienced professionals and those run by

administrators lacking familiarity with investment facilitation or sectoral dynamics. This finding echoes Pakdeenurit et al. (2017), who argued that personnel with technical proficiency and industry knowledge are instrumental in helping SEZs deliver on their value proposition. The results confirm that management-related variables are not just supplementary but are central to the investment decision-making process. They serve both as a gateway and as a guarantee of operational quality within the zone. Effective zone governance, therefore, should be viewed as a strategic lever for improving SEZ performance and investor satisfaction.

Understanding the degree of influence attributed to managerial factors offers valuable insight into the perceived importance of governance and administrative capacity within the investment environment. According to the findings presented in Figure 4.8, a majority of respondents (64.9%) reported that zone management influenced their investment decisions to either a large extent (47.4%) or a very large extent (17.5%). A smaller proportion, 19.3%, rated the influence as moderate, while only 15.8% perceived small or no influence.

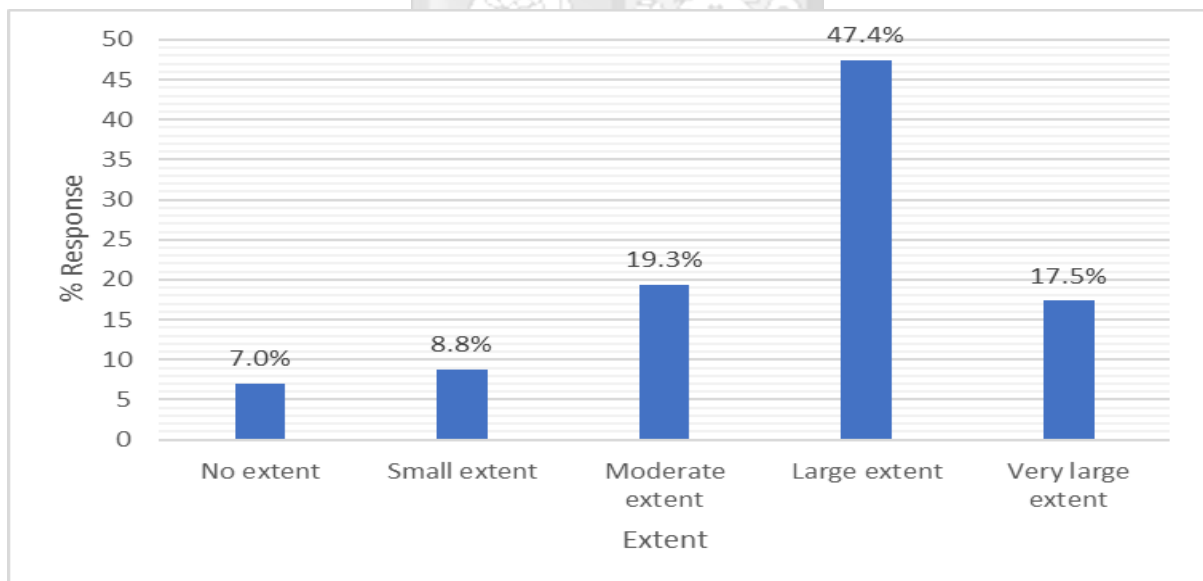


Figure 4.8: Extent of Zone Management Influence

These results confirm that management is a critical determinant in investor evaluations of SEZs. Investors appear to respond positively to zones where administrative processes are efficient and staff members are capable of resolving inquiries and facilitating regulatory procedures. This aligns with the findings of Aggarwal (2017), who emphasized that institutional efficiency plays a pivotal role in shaping investor preferences and sustaining interest in SEZs. The importance attributed to zone management in this study is also

consistent with the broader literature on business climate determinants. Robson and McCartan (2016) assert that investors prioritize environments where risk is minimized through predictable administrative structures. A responsive and competent management system functions not only as a facilitator of entry but also as a continuing partner throughout the investment lifecycle.

These results reinforce earlier quantitative findings, where zone management emerged as the most statistically significant predictor of investment attraction. The consistency between descriptive and inferential results highlights management as a key area for policy focus. Zeng (2016) concluded that the operational success of SEZs depends largely on governance quality, particularly in contexts where infrastructure and fiscal incentives are comparable across regions. Given that nearly two-thirds of investors attributed a strong influence to management-related factors, it is evident that governance structures—such as one-stop shops, experienced staff, and responsive communication channels—are indispensable. Policymakers and zone administrators may therefore prioritize institutional strengthening as a strategic measure for improving zone performance and enhancing investor satisfaction.

4.9 Marketing Strategies

Respondents were asked to indicate the extent to which they agree with statements posed regarding marketing strategies. Marketing in the SEZ context includes not only traditional advertising and branding but also investor engagement and strategic outreach. Effective marketing plays a pivotal role in shaping initial perceptions of a zone's value proposition and competitive advantage. According to Rosário and Raimundo (2021), investment promotion strategies that align messaging with tangible advantages tend to have stronger appeal and credibility among investors. As presented in Table 4.6, the quality of advertising received the highest mean score ($M = 4.474$, $SD = 0.804$), indicating that promotional materials—such as brochures, online content, and media campaigns—had a significant impact on investor decisions. Engagement and outreach efforts also recorded a relatively high influence ($M = 4.158$, $SD = 0.819$), reflecting the value investors place on direct communication and relationship-building by zone authorities. Branding received a slightly lower mean score ($M = 3.912$, $SD = 1.123$), which suggests that while brand identity matters, investors may weigh substance over symbolic attributes.

Table 4.6: Marketing Strategies

	Mean	Std. Dev
The quality of advertising influenced my decision to invest or operate in the SEZ	4.474	.804
The branding of the SEZ influenced my decision to invest or operate in the SEZ	3.912	1.123
The engagement and outreach efforts of the SEZ management influenced my decision to invest or operate in the SEZ	4.158	.819
Overall	4.181	0.915

The overall construct mean of 4.181 (SD = 0.915) reflects a generally strong influence of marketing strategies on investment decisions. These findings support earlier arguments by Rustidja et al. (2017), who highlighted the role of targeted communication in elevating the profile of SEZs and conveying investment-readiness. However, the relatively high standard deviation for branding indicates a divergence in investor responses, suggesting that branding may resonate differently across sectors or investor profiles. The results also align with insights by Makuya (2023), who noted that marketing strategies in SEZs are most effective when tied to operational realities. Investors expect a degree of alignment between promotional claims and actual zone conditions. Where this alignment is lacking, trust can erode, even if the marketing efforts are initially persuasive. The findings reinforce the need for zone administrators to invest in high-quality, data-driven marketing strategies that clearly articulate the SEZ's comparative advantages. At the same time, effective follow-through is necessary to match investor expectations with real experiences on the ground. As argued by Zeng (2015), promotional success must be anchored in policy clarity, accessible services, and demonstrable track records.

Understanding the depth of this influence is essential for evaluating how promotional activities and investor engagement translate into actual investment behavior. According to Figure 4.9, a significant proportion of respondents rated marketing strategies as highly influential, with 42.1% selecting *very large extent* and 38.6% selecting *large extent*. A smaller group, 17.5%, indicated a *moderate extent* of influence, while only 1.8% reported *no extent* of influence.

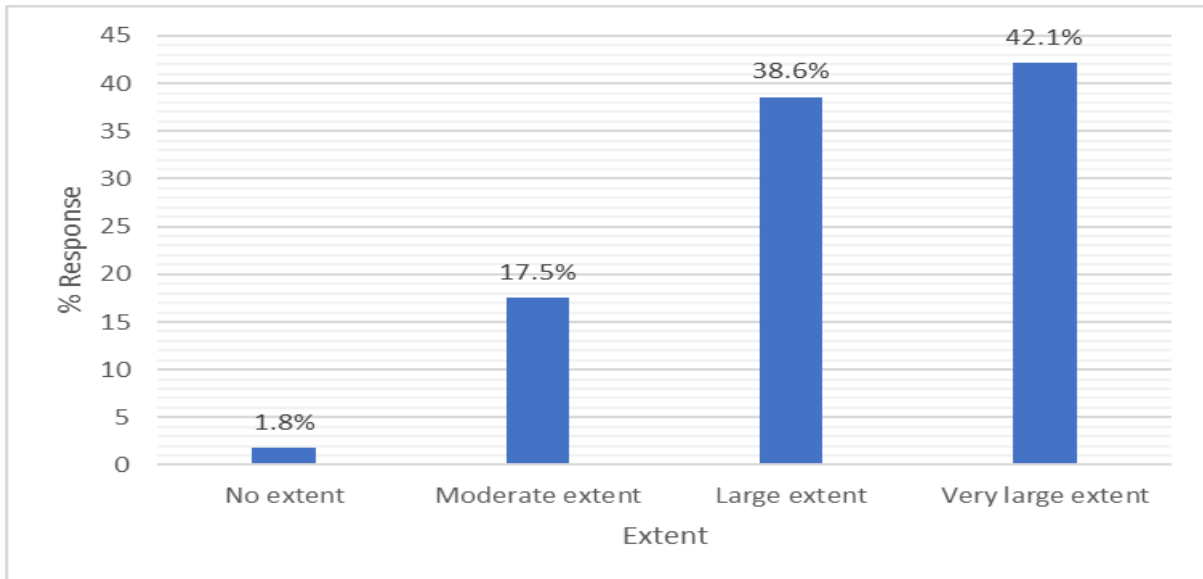


Figure 4.9: Extent of Zone Management Influence

These results confirm the importance of marketing strategies in driving investor decisions. The high percentage of respondents reporting large or very large influence (80.7%) highlights the effectiveness of communication, outreach, and positioning efforts in shaping investor perceptions. Rosário and Raimundo (2021) argue that persuasive marketing not only introduces the SEZ to potential investors but also communicates trust, readiness, and competitive differentiation. The influence of marketing is particularly relevant in the early stages of investment attraction. Makuya (2023) noted that proactive marketing efforts—when well-targeted—can increase the visibility of SEZs, especially in a competitive investment landscape. However, the credibility of marketing content plays a vital role. If promotional claims are not aligned with actual zone conditions or administrative capabilities, investors may recalibrate their perceptions over time.

The results presented here are also consistent with the earlier mean scores from Table 4.6, where high ratings were observed for advertising ($M = 4.474$) and engagement ($M = 4.158$). This suggests that investors respond strongly to both traditional promotional tools and personalized outreach efforts. While branding received a relatively lower score in the previous table, the overall marketing strategy appears to be a meaningful component of investment decision-making. In light of these findings, SEZ administrators and promoters are encouraged to maintain credible, consistent, and investor-responsive marketing programs. Clarity, sector-specific messaging, and evidence-based communication should remain central to zone promotion strategies. As Zeng (2015) observed, SEZs that succeed in attracting

investment often combine strong communication with effective service delivery, creating a positive feedback loop that reinforces zone reputation.

4.10 Investment Attraction

This section explores investor perceptions regarding the overall attractiveness of the Special Economic Zones (SEZs) in Nairobi County and its environs, as well as the extent of satisfaction with their investment experiences. Measuring investment attractiveness provides insights into how SEZs are perceived in terms of location advantages, policy support, infrastructure, and institutional effectiveness. Satisfaction, on the other hand, reflects the degree to which the actual experience has met or exceeded investor expectations. Responses were given on a 5-point Likert Scale, where: 1 =strongly disagree, 2 = disagree, 3 =Not Sure, 4 = Agree, 4 = Strongly agree).

4.10.1 Overall Attractiveness of SEZs

As shown in Figure 4.10, a combined 75.5% of respondents rated the SEZs as either attractive (40.4%) or very attractive (35.1%). A small proportion expressed neutral views (15.8%), while only 8.8% of respondents perceived the zones as either unattractive or very unattractive.

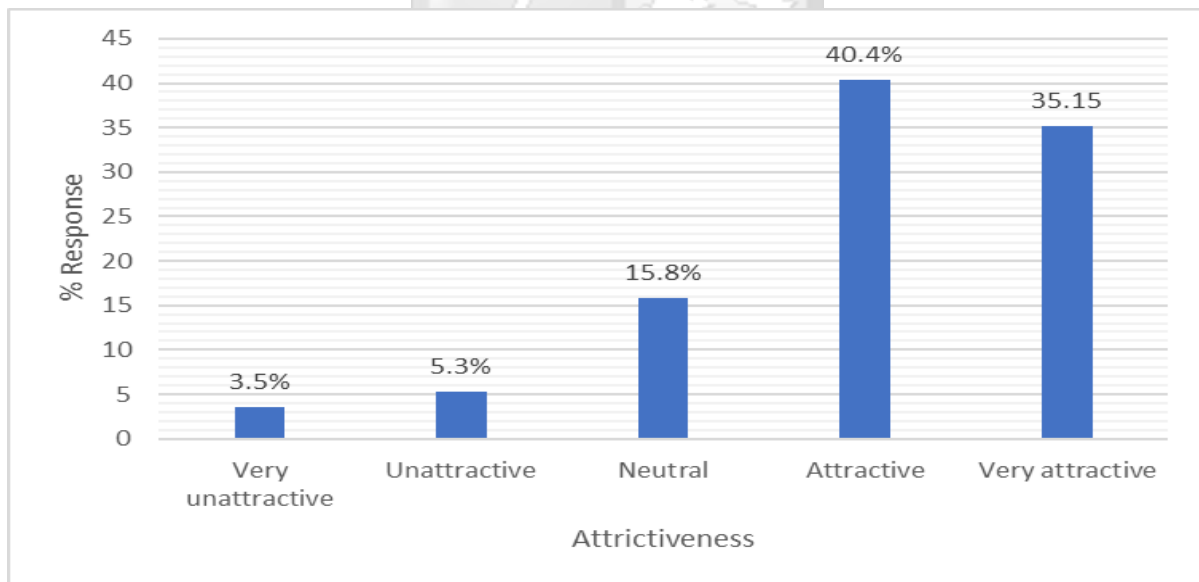


Figure 4.10: Overall Attractiveness

These results suggest that SEZs in the study area are broadly perceived as appealing investment destinations. Investors seem to recognize the value of the regulatory framework, fiscal provisions, infrastructure, and general investment climate created within these zones.

Moskalenko et al. (2022) describe investment attractiveness as a composite of factors that includes ease of doing business, macroeconomic stability, and institutional trust. The high ratings observed here suggest that, at least in perception, the SEZs are meeting many of these critical criteria. The results may also reflect successful promotional strategies and initial investor facilitation, both of which shape early-stage perceptions. However, attractiveness on its own does not guarantee investment success unless it is matched by sustained operational performance and administrative support (UNCTAD, 2019).

4.10.2 Investor Satisfaction

The satisfaction distribution, shown in Figure 4.11, reveals that 89.5% of respondents were either satisfied (45.6%) or very satisfied (43.9%) with their investment in the SEZs. Only 1.8% were very dissatisfied, and 8.8% held neutral positions. This strong satisfaction response suggests that the majority of investors have had positive post-investment experiences.

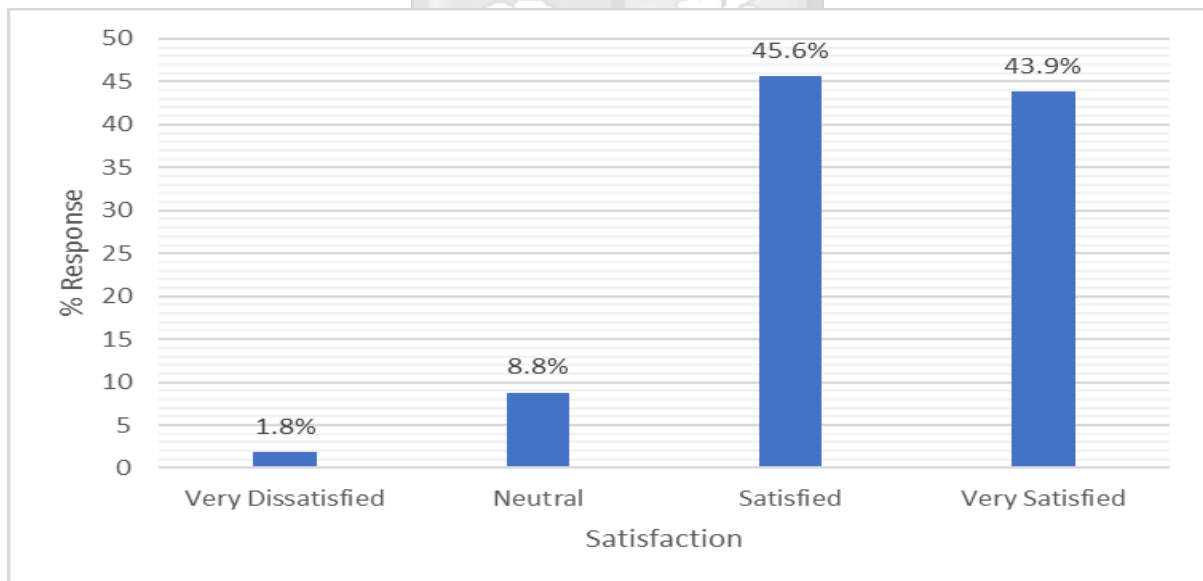


Figure 4.11: Satisfaction with Investment

High satisfaction is a key indicator of the quality of zone operations, especially in areas such as service delivery, infrastructure reliability, and policy implementation. Robson and McCartan (2016) argue that sustained investor satisfaction is essential for long-term zone viability, reinvestment, and positive word-of-mouth within investor networks. It is also noteworthy that the satisfaction levels are higher than the attractiveness ratings. This may indicate that, while initial perceptions were optimistic, actual experience with the zones has surpassed expectations in several cases. As suggested by Zeng (2015), a well-managed SEZ

not only attracts new investment but also retains and expands existing investments by maintaining operational consistency and responsiveness.

4.11 Diagnostic Tests

This section presents the diagnostic tests conducted to validate the assumptions underlying multiple linear regression analysis. Diagnostic testing is a critical step in ensuring the reliability and accuracy of inferential statistics. As emphasized by Field (2018), violation of key assumptions, such as multicollinearity, normality, and homoskedasticity, can lead to biased or misleading interpretations of regression coefficients.

4.11.1 Multicollinearity Test

Multicollinearity occurs when independent variables in a regression model are highly correlated with one another, which can distort the estimation of coefficients and inflate standard errors. Variance Inflation Factor (VIF) and tolerance values are used to detect the presence and severity of multicollinearity. According to Hair et al. (2019), a VIF above 10 or a tolerance below 0.1 indicates a serious multicollinearity problem, while values below these thresholds are generally considered acceptable. As shown in Table 4.7, the VIF values for all predictor variables were below the critical threshold. Zone bulk infrastructure had a VIF of 1.230, fiscal incentives had 1.084, zone management recorded 4.503, and marketing strategies had 4.993. Tolerance values ranged from 0.200 to 0.922.

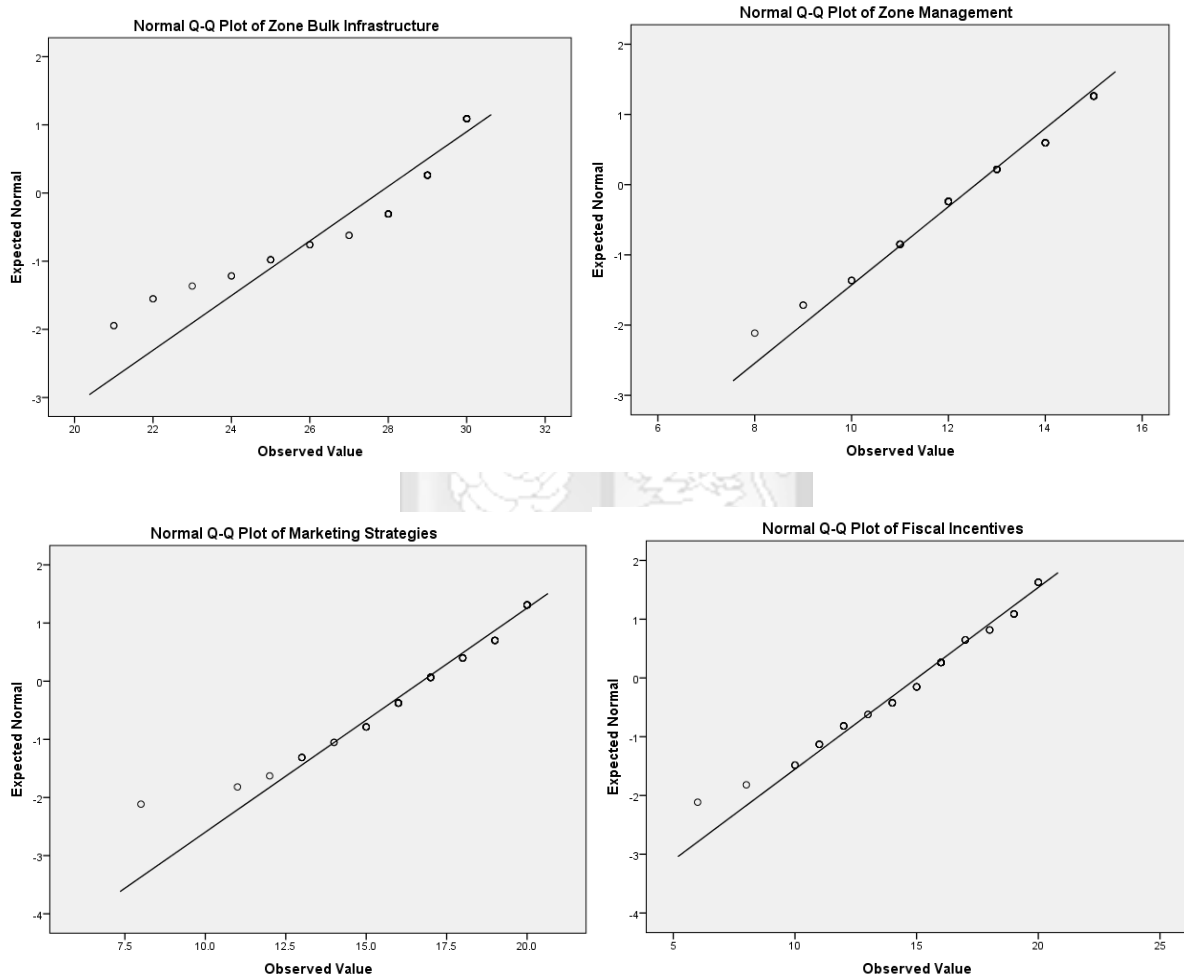
Table 4.7: Multicollinearity Test

Variable	Tolerance	VIF
Zone Bulk Infrastructure	.813	1.230
Fiscal Incentives	.922	1.084
Zone Management	.222	4.503
Marketing Strategies	.200	4.993

These results suggest that although zone management and marketing strategies are more correlated with other predictors, their VIF values remain within an acceptable range. This indicates that multicollinearity is not severe enough to compromise the regression model. These findings support the robustness of the regression outputs and validate the interpretation of individual predictor effects on investment attraction.

4.11.2 Normality Test

Normality of residuals is another essential assumption in regression analysis, particularly when conducting hypothesis testing or constructing confidence intervals. The assumption implies that the error terms (residuals) from the regression model are normally distributed. Normality was assessed visually using normal Q-Q plots (Figure 4.12), which compare observed residuals against a theoretical normal distribution.



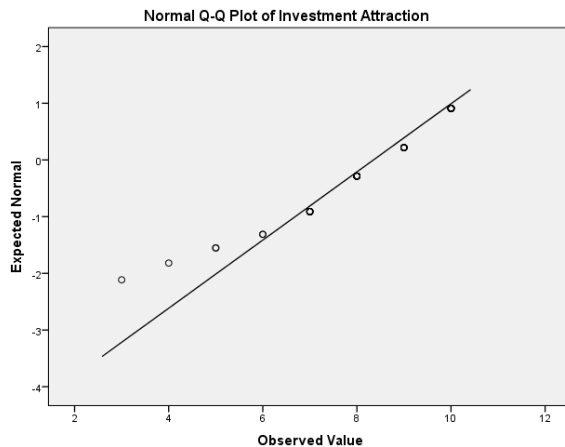


Figure 4.12: Normality Tests

The Q-Q plots for all variables displayed residuals that aligned reasonably well with the diagonal line, indicating that deviations from normality were minimal. This visual confirmation aligns with guidelines by Tabachnick and Fidell (2013), who suggest that minor deviations from the normal line in Q-Q plots are acceptable in medium-sized samples, especially when other assumptions are satisfied. Therefore, the assumption of normality can be regarded as sufficiently met for this dataset.

4.11.3 Test for Heteroskedasticity

Heteroskedasticity refers to the unequal variance of residuals across levels of the independent variables, which violates the assumption of constant error variance in regression analysis. This issue can compromise the efficiency of coefficient estimates and result in inaccurate significance testing. Homoskedasticity was assessed through a scatterplot of standardized residuals against predicted values (Figure 4.13). The residual scatterplot displayed a random and evenly spread cloud of points without any discernible funnelling or pattern, which suggests constant variance. According to Kline (2016), a random spread of residuals indicates that the assumption of homoskedasticity has been met, and that the regression model's estimates can be considered both valid and reliable.

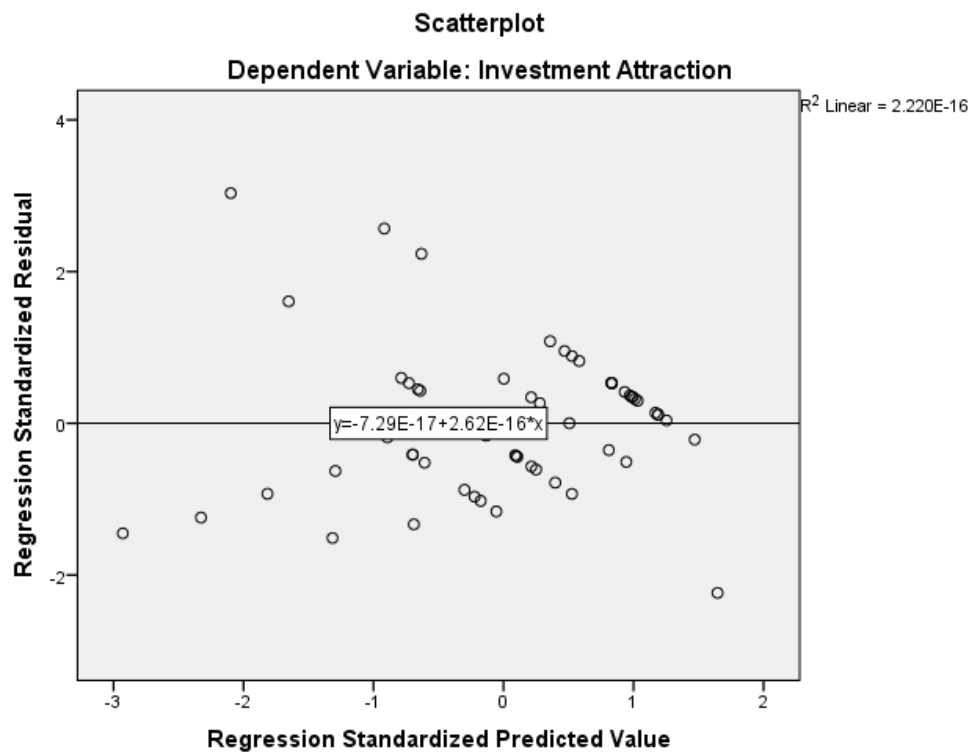


Figure 4.13: Test for Heteroskedasticity

4.12 Pearson Correlation Analysis

This section presents the Pearson correlation analysis, which was conducted to examine the strength and direction of linear relationships between the dependent variable (investment attraction) and each of the four independent variables: zone bulk infrastructure, fiscal incentives, zone management, and marketing strategies. Pearson's correlation coefficient (r) is a widely used statistical measure that quantifies the degree of association between two continuous variables, ranging from -1 (perfect negative correlation) to +1 (perfect positive correlation), with 0 indicating no correlation (Field, 2018).

Table 4.7: Pearson Correlation

		Investment Attraction	Zone Bulk Infrastructure	Fiscal Incentives	Zone Management	Marketing Strategies
Investment Attraction	Pearson Correlation	1	.025	.191	.615**	.315*
	Sig. (2- tailed)		.851	.154	.000	.017
	N	57	57	57	57	57
Zone Bulk Infrastructure	Pearson Correlation	.025	1	.098	.263*	.376**

	Sig. (2-tailed)	.851		.468	.048	.004
	N	57	57	57	57	57
Fiscal Incentives	Pearson Correlation	.191	.098	1	.004	-.102
	Sig. (2-tailed)	.154	.468		.974	.452
	N	57	57	57	57	57
Zone Management	Pearson Correlation	.615**	.263*	.004	1	.873**
	Sig. (2-tailed)	.000	.048	.974		.000
	N	57	57	57	57	57
Marketing Strategies	Pearson Correlation	.315*	.376**	-.102	.873**	1
	Sig. (2-tailed)	.017	.004	.452	.000	
	N	57	57	57	57	57

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

* . Correlation is significant at the 0.05 level (2-tailed).

As shown in Table 4.7, zone management exhibited the strongest and most significant positive correlation with investment attraction ($r = .615$, $p < .001$). This suggests a strong linear relationship between the quality of zone management and the attractiveness of SEZs to investors. These findings support the conclusions of North (1990) and Aggarwal (2017), who emphasized that efficient institutions, especially those related to service delivery and administrative support, are central to investor decision-making. The strength of this correlation aligns with earlier descriptive findings, confirming that operational competence plays a critical role in determining the perceived value of a zone.

Marketing strategies also showed a statistically significant positive relationship with investment attraction ($r = .315$, $p = .017$). While this correlation is moderate, it affirms the role of effective communication and investor engagement in influencing perceptions and decisions. According to Rosário and Raimundo (2021), marketing efforts help reduce informational asymmetries and create visibility for investment opportunities, particularly in competitive environments. The result here reinforces the notion that investors are responsive not only to what is offered but also to how those offerings are presented.

The correlation between fiscal incentives and investment attraction was weak and not statistically significant ($r = .191$, $p = .154$). This outcome suggests that while incentives may contribute to investment appeal, they are not strong standalone drivers in this context. Sacerdoti and the Asian Development Bank (2015) noted that such incentives are often necessary but insufficient conditions for investment, especially where other foundational aspects such as governance or infrastructure are lacking or underperforming.

Zone bulk infrastructure recorded a negligible correlation with investment attraction ($r = .025$, $p = .851$), indicating no meaningful linear relationship. This result may appear counterintuitive given the high mean ratings assigned to infrastructure items in descriptive analysis. One possible interpretation is that infrastructure serves as a threshold factor—it is expected by default but does not influence investment attractiveness beyond its baseline presence. Zeng (2015) observed similar findings in global SEZ studies, where infrastructure quality was critical for eligibility but not a differentiator once minimum standards were met.

Correlations among the independent variables themselves also revealed noteworthy relationships. Zone management and marketing strategies were highly correlated ($r = .873$, $p < .001$), suggesting that well-managed zones are also more likely to implement strong marketing and outreach activities. This implies a synergistic relationship between internal institutional quality and external communication efforts.

4.13 Regression Analysis

This section presents the results of the multiple linear regression analysis conducted to examine the combined influence of zone bulk infrastructure, fiscal incentives, zone management, and marketing strategies on investment attraction in Special Economic Zones (SEZs). Multiple regression is a robust statistical method that helps determine how well a set of independent variables predicts the value of a dependent variable. It is widely used in applied policy and business research to estimate causal effects and assess model fit (Hair et al., 2019; Field, 2018). The estimation techniques used was ordinary least squares.

4.13.1 Model Summary

The model summary (Table 4.8) shows an R value of 0.770, indicating a strong positive correlation between the observed and predicted values of investment attraction. The R^2 value of 0.594 suggests that approximately 59.4% of the variance in investment attraction is

explained by the combined effects of the four independent variables. The adjusted R^2 of 0.562 accounts for the number of predictors in the model and confirms that the model is a good fit for the data. According to Cohen et al. (2003), an R^2 above 0.50 in social science research is considered moderate to high, especially in contexts involving complex human behavior such as investment decision-making. These results imply that the selected variables have meaningful explanatory power in understanding what drives investor interest in SEZs.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770 ^a	.594	.562	1.10057

a. Predictors: (Constant), Zone Bulk Infrastructure, Fiscal Incentives, Zone Management, Marketing Strategies

b. Dependent Variable: Investment Attraction

4.13.2 ANOVA Test

The ANOVA results in Table 4.9 indicate that the regression model is statistically significant ($F = 18.988$, $p < .001$). The significance value ($p = .000$) demonstrates that the model as a whole explains a significant portion of the variance in investment attraction. As explained by Tabachnick and Fidell (2013), the F-test evaluates whether the model improves prediction of the dependent variable beyond what would be expected by chance. These findings affirm that the independent variables collectively provide reliable predictive value.

Table 4.9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.998	4	22.999	18.988	.000 ^b
	Residual	62.985	52	1.211		
	Total	154.982	56			

a. Dependent Variable: Investment Attraction

b. Predictors: (Constant), Zone Bulk Infrastructure, Fiscal Incentives, Zone Management, Marketing Strategies

4.13.3 Regression Coefficients

The regression coefficients (Table 4.10) provide insights into the individual contribution of each independent variable: Zone management emerged as the strongest and most significant predictor of investment attraction ($\beta = 1.384$, $p < .001$). This finding aligns with prior

correlation results and supports institutional theory, which holds that effective administrative systems and governance structures enhance investor confidence (North, 1990). The positive and statistically significant coefficient highlights that well-managed SEZs are more likely to attract and retain investors.

Marketing strategies yielded a significant but negative coefficient ($\beta = -0.875$, $p < .001$). While counterintuitive, this result may reflect a mismatch between promotional efforts and actual zone performance. If marketing strategies promise benefits that are not realized post-investment, investor satisfaction and perception of attractiveness may decline. Makuya (2023) reported similar findings in a South African SEZ context, where dissonance between marketing and service delivery diminished investor trust.

Fiscal incentives were positively related to investment attraction ($\beta = 0.098$) but the effect was not statistically significant ($p = .291$). This suggests that while incentives are appreciated, they may not independently drive investment decisions in the absence of stronger operational support. Slattery and Zidar (2020) argue that fiscal incentives often serve a complementary rather than primary role in influencing investor behavior.

Zone bulk infrastructure had a negative and non-significant coefficient ($\beta = -0.019$, $p = .848$). Despite high mean ratings in descriptive analysis, infrastructure did not show a measurable effect in the regression model. Zeng (2015) explains that infrastructure is often a threshold condition: necessary for eligibility but not influential once a baseline level of service is met. Investors may expect infrastructure as a minimum standard, making it less impactful in differentiating zones.

Table 4.10: Regression Coefficients

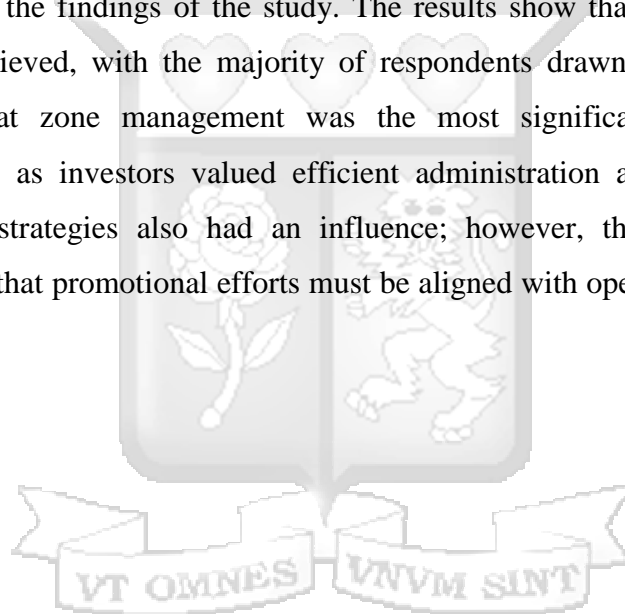
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.205	1.851		.651	.518
	Zone Bulk Infrastructure	-.013	.065	-.019	-.192	.848
	Fiscal Incentives	.051	.047	.098	1.067	.291
	Zone Management	1.284	.174	1.384	7.377	.000
	Marketing Strategies	-.561	.127	-.875	-4.432	.000

a. Dependent Variable: Investment Attraction

The regression results reinforce the central importance of zone management as the most influential factor in attracting investment. While marketing strategies, fiscal incentives, and infrastructure all contribute to the broader investment environment, their effects appear to depend on the quality of governance and service delivery within the zone. As Osborne and Waters (2002) note, regression analysis offers a nuanced understanding of predictor effects and helps prioritize variables that drive real-world outcomes. These findings suggest that SEZ authorities should place strategic emphasis on improving administrative efficiency and staff capacity. Investments in governance reform may yield higher returns in investor confidence and retention than fiscal or promotional tools alone.

4. 14 Chapter Summary

This chapter presents the findings of the study. The results show that a sufficient response rate of 95% was achieved, with the majority of respondents drawn from Tatu City. The findings revealed that zone management was the most significant factor influencing investment attraction, as investors valued efficient administration and competent service delivery. Marketing strategies also had an influence; however, the negative regression coefficient suggested that promotional efforts must be aligned with operational capabilities to be effective.



CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a synthesis of the study's key findings, drawing together the results from both descriptive and inferential analyses to provide a clear understanding of what drives investment attraction in Special Economic Zones within Nairobi County and its environs. The chapter begins with a summary of the main results as aligned with the study objectives, then proceeds to draw conclusions based on the empirical evidence. Practical and policy-oriented recommendations are offered to guide SEZ development, management, and strategic positioning. The chapter concludes with suggestions for future research, identifying areas where further investigation could enrich the evidence base and support more effective SEZ policy design and implementation.

5.2 Summary of Findings

This study investigated the key determinants of investment attraction in Special Economic Zones (SEZs) located in Nairobi County and its surrounding areas. The analysis centered on four main variables: zone bulk infrastructure, fiscal incentives, zone management, and marketing strategies. The study was guided by institutional theory and Dunning's eclectic (OLI) paradigm, both of which offer comprehensive frameworks for examining how institutional quality and locational advantages influence investor decision-making. These theoretical lenses allowed the study to explore both structural and behavioral dimensions of investment attraction in the SEZ context.

Zone bulk infrastructure, although highly rated in descriptive analysis—particularly regarding electricity, transport, water, and waste systems—did not show a significant influence in the regression model. The lack of statistical significance suggests that investors may treat infrastructure as a prerequisite rather than a competitive advantage. In other words, infrastructure may serve more as a baseline requirement for participation in an SEZ rather than a differentiating factor when investors choose among multiple zones.

Fiscal incentives were viewed with moderate importance by respondents. Investors acknowledged the role of tax exemptions and concessions in reducing costs, but the regression results showed that these incentives had no statistically significant effect on

investment attraction when evaluated alongside other variables. This suggests that while incentives can enhance a zone's appeal, they are not decisive on their own. Their impact is likely amplified when supported by efficient management and accessible infrastructure, which together create a more holistic and investor-friendly environment.

The results revealed that zone management emerged as the most influential and statistically significant predictor of investment attraction. Investors placed strong emphasis on the operational efficiency of SEZs, highlighting the importance of streamlined processes, responsive service delivery, and knowledgeable staff. Both descriptive data and regression results supported this conclusion, with zone management demonstrating a strong positive correlation and the highest standardized regression coefficient among the variables. This suggests that SEZs that are managed professionally and responsively are far more likely to attract and retain investors than those that simply offer tax breaks or build physical infrastructure.

Marketing strategies also showed a meaningful relationship with investment attraction, particularly in the descriptive statistics. Investors responded positively to effective advertising, direct engagement, and investor outreach. However, the regression analysis revealed a negative coefficient, indicating a possible mismatch between promotional efforts and actual service delivery. This finding implies that while strong marketing can draw initial interest, its ability to sustain investor confidence depends on the credibility and reliability of the underlying institutional framework.

5.3 Discussion of the Findings

This section presents a detailed and thematically structured discussion of the regression findings, organized according to the key variables of the study: zone bulk infrastructure, fiscal incentives, zone management, and marketing strategies. The discussion integrates theoretical foundations and empirical literature to contextualize the results within the broader discourse on investment attraction in SEZs.

5.3.1 Zone Bulk Infrastructure and Investment Attraction

The regression analysis revealed a non-significant and slightly negative relationship between zone bulk infrastructure and investment attraction. While descriptive statistics suggested that investors value infrastructure highly, its contribution to investment attraction was not

statistically significant when analyzed alongside other variables. This finding echoes observations made in the empirical literature. Farole and Moberg (2017) argued that infrastructure investments in SEZs have, in some cases, produced "white elephants"—projects with high maintenance costs and minimal returns—due to poor alignment with investor needs. Similarly, Moberg (2015) highlighted the Philippine Bataan SEZ as a cautionary tale where extensive infrastructure upgrades failed to convert into meaningful investor uptake. These outcomes suggest that infrastructure alone is not a guarantee of investment success.

The result also aligns with Sosnovskikh (2017), who emphasized the risks of building infrastructure before securing investor commitment. It may be that in the Kenyan SEZ context, infrastructure serves as a threshold factor—necessary but insufficient. As explained by McIntyre et al. (1996) in the context of the OLI paradigm, basic infrastructure represents a generic locational advantage that investors expect as a minimum standard, not a compelling differentiator.

From an institutional theory perspective, the finding signals that infrastructure must be embedded within a broader institutional framework that ensures alignment between facilities and investor needs. Zeng (2015) observed that infrastructure's success in SEZs is most pronounced when delivered alongside supportive regulations and governance systems. Thus, infrastructure must be accompanied by institutional coherence and efficient service delivery to generate sustained investor interest.

5.3.2 Fiscal Incentives and Investment Attraction

The regression coefficient for fiscal incentives was positive but statistically insignificant. This finding reinforces the mixed evidence in the literature about the effectiveness of tax-based inducements in attracting and sustaining investment. Studies such as Jasiniak and Koziński (2017) found that tax incentives can be influential in specific contexts, particularly for small and cost-sensitive firms. However, this influence diminishes when considered in isolation from other investment climate variables. Slattery and Zidar (2020) caution that incentives often serve as secondary motivators and that overreliance on them can lead to high fiscal costs without commensurate investment returns.

Institutional theory provides a compelling lens through which to interpret this result. North (1990) emphasizes that institutions—including those that administer and deliver fiscal

benefits—must function predictably and efficiently. If the process of accessing tax exemptions or concessions is opaque or inconsistent, the perceived value of these incentives declines. This aligns with Sacerdoti and the Asian Development Bank (2015), who observed that incentives only function effectively within strong institutional settings. From the OLI perspective, fiscal incentives represent government-induced locational advantages. However, Dunning's model suggests that unless these are coupled with infrastructure and regulatory clarity, they will not suffice to attract foreign direct investment (Nayak & Choudhury, 2014). In the Kenyan case, the results imply that investors may prioritize administrative efficiency and practical service delivery over theoretical tax savings.

5.3.3 Zone Management and Investment Attraction

Zone management was the strongest and most significant predictor in the regression model affirming its central role in influencing investor decisions. This finding is consistent with empirical studies and institutional theory, both of which stress the critical importance of governance in shaping economic performance. Institutional theory, particularly the work of Meyer and Rowan (1977) and DiMaggio and Powell (1983), argues that institutional quality—reflected through rules, norms, and operational efficiency—fundamentally shapes organizational behavior. In the SEZ context, zone authorities function as institutional actors that either facilitate or impede investor activity. Aggarwal (2017) noted that SEZs can mitigate institutional inefficiencies by creating business-friendly sub-environments. This perspective helps explain why Kenyan investors responded so positively to effective zone management.

Empirical studies offer strong support for this result. Mwansa et al. (2020) found that in Zambia's Lusaka South Multi-Facility Economic Zone, zone management significantly influenced investor satisfaction, especially when it involved staff with prior SEZ experience and streamlined services. The findings in this study reinforce that assertion. The strong correlation between zone management and marketing strategies ($r = 0.873$) also suggests that effective management enhances not only investor service but also strategic communication and outreach efforts. This supports Hazakis (2014), who called for deeper analysis of how regulatory, cognitive, and organizational components of SEZs interact. Institutional theory suggests that such interactions create a coherent environment that reduces uncertainty and builds investor confidence—precisely what the data in this study demonstrates.

5.3.4 Marketing Strategies and Investment Attraction

Marketing strategies were statistically significant in the regression model but with a negative coefficient. While descriptive data and correlation analysis showed that marketing efforts were influential, the regression result suggests a more complex reality. This outcome may reflect a disconnect between promotional content and actual zone experiences. Investors may be initially attracted by advertising and engagement, but disappointment with service delivery or infrastructure could erode trust over time. Makuya (2023) found a similar trend in South Africa's ORTIA SEZ, where promotional strategies failed to align with practical investor outcomes.

Rustidja et al. (2017) and Aggarwal (2019) emphasize the importance of investment promotion in creating awareness and conveying value. However, marketing efforts must be supported by delivery capacity to sustain investor interest. If promotional narratives are not substantiated by institutional performance, the zone risks reputational damage. From an institutional theory standpoint, this finding is not surprising. Scott (2005) explains that symbolic actions (such as marketing and branding) must be congruent with regulatory and normative structures to gain legitimacy. Investors interpret inconsistencies between promotion and practice as signals of institutional weakness, which may undermine confidence in the zone.

In terms of the OLI framework, marketing strategies could be categorized under information-based locational advantages. Narula and Zhan (2019) note that these advantages are only effective when backed by demonstrable operational value. The regression results suggest that investors penalize marketing strategies that are not reinforced by actual service quality, highlighting the need for zones to synchronize messaging with delivery.

5.4 Conclusion

The study set out to examine the extent to which zone bulk infrastructure influences investment attraction in SEZs within Nairobi County and its environs. While infrastructure was highly rated by investors in terms of perceived importance, the regression results indicated that it does not have a statistically significant effect on investment attraction. This suggests that infrastructure, though essential for operational viability, is regarded more as a baseline requirement than a strategic advantage. Investors appear to expect reliable access to utilities and transport as a given, and may place less emphasis on infrastructure once these

minimum standards are met. The implication is that infrastructure alone is not sufficient to drive investment unless supported by institutional efficiency and other enabling conditions. From an institutional theory perspective, the finding highlights the importance of aligning infrastructure with investor needs through supportive institutional frameworks.

On fiscal incentives, the findings revealed a moderate level of influence. Investors acknowledged the value of tax exemptions and concessions, yet the regression analysis showed no significant impact on overall investment attraction. This outcome implies that while fiscal incentives are often part of the decision-making calculus, they are not the primary factor guiding investor commitments. Incentives may be effective in enhancing cost-efficiency, especially in the early stages of investment, but they lose their potency when not supported by administrative clarity or consistent implementation. Incentives appear to function best as part of a broader investment climate, where institutional integrity and service reliability reinforce their intended benefits. Institutional theory provides a compelling lens through which to interpret this result, highlighting that incentives are only effective within strong institutional settings.

Zone management emerged as the most critical determinant of investment attraction. The study found that administrative efficiency and staff competence strongly influence investor decisions. This was the only variable that was both statistically significant and positively associated with investment attraction across all levels of analysis. Effective management, characterized by timely service delivery, clear communication, and problem resolution, builds investor trust and reduces uncertainty. These findings affirm the central role of institutional quality in economic zone performance. SEZs that are governed with professionalism and strategic foresight are more likely to convert interest into sustained investment.

Marketing strategies were found to have a significant but complex relationship with investment attraction. Investors reported being influenced by advertising and outreach, yet the regression results showed a negative association. This may point to gaps between promotional messaging and actual zone performance. When expectations set through marketing are not met in practice, investor confidence may decline. Marketing is therefore most effective when aligned with operational delivery and grounded in the zone's actual strengths. From an institutional theory standpoint, this finding is not surprising. Scott (2005) explains that symbolic actions (such as marketing and branding) must be congruent with

regulatory and normative structures to gain legitimacy. The study concludes that marketing efforts should not be viewed in isolation, but rather as a tool for amplifying real institutional and service-based advantages. SEZ success relies not only on visibility but also on the capacity to fulfill the commitments communicated to investors.

5.5 Recommendations

SEZ authorities should place institutional efficiency at the core of zone development strategies. This involves equipping management teams with the tools, systems, and competencies necessary to provide timely and high-quality investor services. Continuous professional development and targeted staff training programs should be prioritized to enhance responsiveness, regulatory clarity, and problem-solving capacity. Investing in digital platforms can improve transparency and reduce investor wait times through automated workflows and real-time communication. Full implementation of one-stop shop models is critical to eliminate administrative fragmentation and streamline investor interactions with various regulatory agencies. Strong management not only builds confidence but also positions the SEZ as a reliable and professional investment destination.

Marketing strategies should be closely aligned with the operational realities of the SEZ to ensure credibility and sustain investor trust. Promotional campaigns must reflect actual service capabilities, available infrastructure, and the regulatory environment, rather than aspirational narratives that may not match investor experience. Investor outreach should emphasize competitive advantages that are demonstrable and consistent over time. Incorporating post-entry support into the marketing strategy is essential to retain investors once they are onboard. This includes regular communication, dedicated liaison officers, and mechanisms to resolve operational issues quickly. A realistic and coherent marketing approach enhances the SEZ's reputation and reduces the risk of disillusionment that could damage long-term investor relationships.

Fiscal incentives should be restructured to function as a strategic complement rather than the primary attraction tool. Policymakers should ensure that incentive packages are simple to understand, legally sound, and easy to access. The design of these incentives must account for investor diversity, providing tailored benefits that respond to different industry needs, firm sizes, and stages of investment. Transparency in eligibility criteria, approval timelines, and monitoring requirements will improve the credibility of fiscal policies. A centralized portal for incentive applications and tracking can reduce inefficiencies and foster confidence

among prospective investors. Reforms should also include regular evaluations of incentive effectiveness to ensure that public resources are achieving intended economic outcomes.

Infrastructure planning within SEZs should be anchored on actual investor demand and economic potential rather than speculative or politically-driven projections. Prior consultation with existing and prospective investors can help identify the types and levels of infrastructure required to support business operations. Infrastructure development should be phased, scalable, and tied to specific investment commitments to avoid underutilization. Strategic investment in utilities, transport linkages, digital infrastructure, and waste management systems should aim at creating functional zones that support industrial productivity and environmental sustainability. Efficient infrastructure not only supports operational needs but also signals to investors that the zone is ready for business.

Establishing a formal monitoring and evaluation (M&E) system within SEZs is essential for tracking performance and informing policy refinement. A robust M&E framework should include quantitative and qualitative indicators that assess service quality, administrative efficiency, investor satisfaction, and zone-level outcomes such as employment and export growth. Regular feedback collection through investor surveys, focus groups, and service rating tools can help zone authorities respond proactively to challenges and improve their support systems. Institutional learning through structured evaluation promotes accountability and enables SEZs to evolve in line with investor expectations and global standards. Transparent reporting of performance data also strengthens credibility with current and prospective investors.

SEZ development must be strategically aligned with broader national economic objectives such as industrialization, trade diversification, and inclusive growth. Coordination between SEZ authorities and national planning agencies is essential to ensure that zones are not operating in isolation or duplicating efforts. Integrating SEZ strategies into frameworks such as Kenya's Vision 2030, the National Investment Policy, and Medium-Term Plans will foster synergies and create a supportive policy ecosystem. Harmonized regulations, streamlined inter-agency collaboration, and shared accountability mechanisms can help reduce policy fragmentation. Aligning SEZs with national priorities also ensures that zone-level benefits translate into wider economic gains, reinforcing the long-term sustainability and legitimacy of the SEZ program.

5.6 Limitations of the Study

The study encountered a number of limitations that may have affected the scope and depth of findings. One significant limitation was the issue of generalizability, as the study focused exclusively on SEZs within Nairobi and neighbouring areas, thereby limiting the extent to which the results can be extrapolated to SEZs in other parts of Kenya or comparable regions in Sub-Saharan Africa. This was addressed by carefully contextualizing the findings and clearly delimiting the scope to urban-centric zones with similar governance and infrastructural characteristics. The cross-sectional design limited the ability to establish causality between identified factors and investment outcomes. To compensate, the study employed inferential statistical methods and incorporated respondents' perceptions to interpret relational trends. Potential respondent bias due to strategic positioning or vested interests was managed through confidentiality assurances and careful phrasing of interview questions to encourage candor. Despite these limitations, the study applied methodological rigor to produce valid and policy-relevant insights.

5.7 Suggestions for Future Studies

Future research should aim to deepen the understanding of investment dynamics in Special Economic Zones by addressing several key areas. A comparative analysis between public and private SEZs could reveal how ownership structures influence governance models, investor confidence, and overall performance, offering lessons on which frameworks are most effective in the Kenyan context. There is also a need for sector-specific investigations to identify unique investment drivers in areas such as manufacturing, logistics, and information technology. Such disaggregated analysis could help policymakers tailor SEZ offerings to meet the specific needs of different industries. Longitudinal studies that track investor satisfaction and retention over time would provide insights into how SEZ reforms and policy shifts influence long-term investor behaviour. In addition, qualitative research on institutional trust and investor confidence—particularly around regulatory transparency and dispute resolution—could add depth to quantitative findings. Finally, future studies should examine how SEZs respond to global economic shocks, including pandemics and supply chain disruptions, to support the development of more resilient and adaptive zone policies.

5.8 Chapter Summary

This chapter presents an overview of the study, accompanied by a discussion of the findings. It provides the study's conclusions and recommendations, and also outlines the limitations and suggestions for further research.



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APPENDICES

Appendix 1: Letter of Introduction

Dear Sir/Madam,

RE: ACADEMIC RESEARCH

You are being invited to take part in a research study titled, “**Determinants of Investment Attraction in Special Economic Zones in Nairobi County and its Environs, Kenya**”. Fiona Murage of Strathmore University, (Email address: fiona.nyawira@strathmore.edu, Phone Number: [0703578577](tel:0703578577)) is conducting this research.

The goal of this study is to examine the key factors influencing investment attraction in Special Economic Zones (SEZs) within Nairobi County and its environs. Your participation will contribute to improving the performance and development of SEZs by providing valuable insights into factors that attract investment. You can reach out to the researcher using the supplied email address or phone number to discuss any issue concerning this study. If you choose to participate, you will fill in a questionnaire that will take about 10-20 minutes to complete. All information you provide will be kept strictly confidential and used solely for academic purposes. Your responses will not be disclosed to anyone under any circumstances.. Your decision to participate in this research is voluntary. You are not required to answer all the questions.

If you have any questions regarding the research, contact the researcher, Fiona Murage at [0703578577](tel:0703578577) or send an email to fiona.nyawira@strathmore.edu

Appendix 2: Research Questionnaire for the Respondents

Dear respondent,

I am a Postgraduate student at Strathmore University conducting research on “**Determinants of Investment Attraction in Special Economic Zones in Nairobi County and its Environs, Kenya.**”

The information provided therein will be confidential as the status of response will be anonymous.

Yours Sincerely

Fiona Murage

Instructions: Tick where applicable

SECTION A: GENERAL INFORMATION

1. What is the name of the SEZ you are affiliated with?

- Tatu City
- Konza City
- Triffic
- Compact FTZ
- Nairobi Gate

2. For how long have you operated in the SEZ?

- Less than 1 year
- 1–3 years
- 4–6 years
- More than 6 years

4. Is your company registered as local, foreign or joint venture entity?

- Foreign
- Local
- Joint Venture

5. What is your type of Business in SEZ?

- Manufacturing
- Logistics
- ICT/Technology
- Other (Please specify): _____

1)

7. Have you previously operated in any other SEZs?

1) Yes

2) No

8. Please indicate whether investment attraction determinants influenced your decision to choose the SEZ you operate in. If your answer is "Yes," kindly proceed with the survey

1) Yes

2) No

SECTION B: INVESTMENT ATTRACTION DETERMINANTS

Please indicate the extent to which you agree with the following statements regarding zone bulk infrastructure, fiscal incentives, zone management and marketing strategies

(SA = Strongly agree, A = Agree, NS = Not Sure, SD = strongly disagree, D = disagree)

Statement	SA	A	NS	D	SD
Zone Bulk Infrastructure					
The SEZ has a stable and reliable electricity supply.					
The SEZ is conveniently located with good transportation networks (e.g., road, rail, or air access)					
There is adequate water supply within the SEZ to meet the needs of businesses.					
The SEZ has a well-functioning drainage system to prevent flooding or waterlogging.					
The SEZ has an effective waste management facility					

To what extent does **zone bulk infrastructure** influence your decision to invest in this SEZ?

(Tick where applicable)

Very large extent

Large extent

Moderate extent

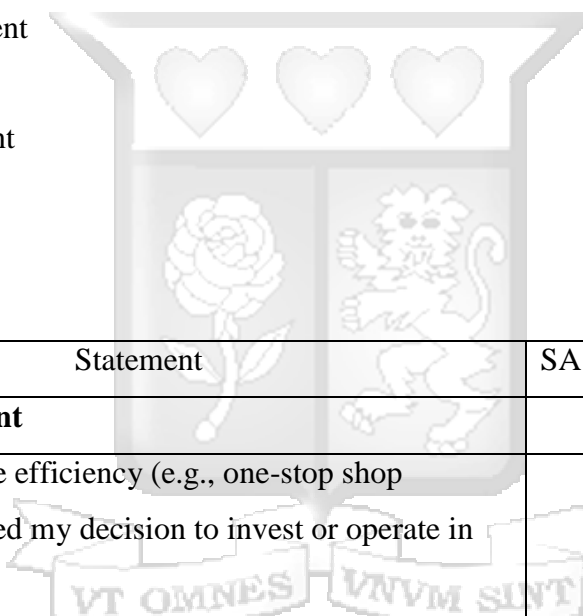
Small extent

No extent

	Statement	SA	A	NS	D	SD
	Fiscal Incentives					
	Tax exemption influenced my decision to invest or operate in the SEZ.					
	Lower tax rates influenced my decision to invest or operate in the SEZ.					
	Tax concessions influenced my decision to invest or operate in the SEZ.					

To what extent do **fiscal incentives** influence your decision to invest in this SEZ? (Tick where applicable)

- 1) Very large extent
- 2) Large extent
- 3) Moderate extent
- 4) Small extent
- 5) No extent



	Statement	SA	A	NS	D	SD
	Zone Management					
	The administrative efficiency (e.g., one-stop shop services) influenced my decision to invest or operate in the SEZ.					
	The expertise of the zone management staff (e.g., prior experience) influenced my decision to invest or operate in the SEZ.					

To what extent does **zone management** influence your decision to invest in this SEZ? (Tick where applicable)

- 1) Very large extent
- 2) Large extent
- 3) Moderate extent
- 4) Small extent
- 5) No extent

	Statement	SA	A	NS	D	SD
	Marketing Strategies					
	The quality of advertising influenced my decision to invest or operate in the SEZ					
	The branding of the SEZ influenced my decision to invest or operate in the SEZ.					
	The engagement and outreach efforts of the SEZ management influenced my decision to invest or operate in the SEZ.					

To what extent do **marketing strategies** influence your decision to invest in this SEZ? (Tick where applicable)

- 1) Very large extent
- 2) Large extent
- 3) Moderate extent
- 4) Small extent
- 5) No extent

SECTION C: INVESTMENT ATTRACTION

This section will assess the overall investment attractiveness.

1. On a scale of 1–5, how would you rate the overall attractiveness of this SEZ for investors? (Tick where applicable)

Very unattractive

Unattractive

Neutral

Attractive

Very attractive

2. Are you satisfied with your decision to invest in this SEZ?

1) Very Dissatisfied

2) Dissatisfied

- 3) Neutral
- 4) Satisfied
- 5) Very Satisfied

Access to Research Findings

Would you like to receive a copy of the final research paper?

- 1) Yes
- 2) No

Appendix 3: List of SEZs

1. Selected Special Economic Zones

Name of SEZ	Location	Type of SEZ	No. of Investors (Approx)
Konza Technopolis	Makueni County	Public	5
Tatu City SEZ	Kiambu County	Private	30
TRIFIC SEZ	Nairobi County	Private	15
Compact FTZ	Nairobi County	Private	10
Nairobigate	Kiambu County	Private	30

Appendix 4: List of Targeted Investors

LIST OF TARGETED INVESTORS

TRIFIC SEZ
Teleperformance
Braham Global Consulting Limited
Dalberg Design
Dalberg Research
Axum Earth Global
Victoria TDG
ITM Sarl LTD
Datagear
Augmented Impact Analysis
Technobrain
Tendersure
Fincredit

Britam Beta Labs
Giro Limited
Syaral Consulting LTD
One Space
Additional details to be gathered during data collection
<u>Compact FTZ</u>
Isuzu East Africa Limited
Captain Motor Cycles
Kenafic Manufactures
Mold Plast Kenya LTD
Delmonte Kenya LTD
Ziara Sez/ibc Japan
Various Traders
<u>Tatu City</u>
Tatu City has approximately 30 licensed investors. Below is a list of selected investors, with additional details to be gathered during data collection.
Ashford Consulting
Unity Homes SEZ
Davis & Shirtliff
Gateway CCI SEZ Ltd
Dweck Industries SEZ Ltd
Crown Healthcare Ltd
Fullcare Medical SEZ
Nova Pioneer
Sam-Tech SEZ
C Dorman SEZ
Nova Pioneer
Chandaria Industries
Kim-Fay
FFS SEZ
Kwal SEZ
Cold Solutions Kiambu SEZ
Twiga Foods SEZ
Step up Technologies
Ital Novis SEZ
Kifaru Exim SEZ
Hewa Tele SEZ
Naivas Supermarket
Ray Specialized Products SEZ
Freight Forwarders Solutions
Friendship Group
Euroform
ForestFoods LLC
<u>NairobiGate SEZ</u>
NairobiGate has approximately 30 investors. However, they have a data protection policy that prohibits the collection of any information unless one has the appropriate documentation, such as ethical approval.
<u>Konza Technopolis</u>

Kenya-Aist (Kenya Advanced Institute of Science and Technology)
Open University Kenya
ACTS
Timbuktoo
Office of Data Protection

Appendix 5: NACOSTI Permit




REPUBLIC OF KENYA
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 653877 **Date of Issue: 20/March/2025**

RESEARCH LICENSE



This is to Certify that Miss. Flina Nyawira Murage of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: **Determinants of Investment Attraction in Special Economic Zones in Nairobi County and its Environs, Kenya, for the period ending : 20/March/2026.**

License No: NACOSTI/P/25/017388

653877

Applicant Identification Number


Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code


NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix 6: Ethical Approval from Strathmore



14th March 2025

Ms. Fiona Murage,
fiona.nyawira@strathmore.edu

Dear Ms Murage,

RE: Determinants of investment attraction in special economic zones in Nairobi County and its environs, Kenya.

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters proposal. Your application reference number is SU-ISERC2690/25. The approval period is from 14th March 2025 to 13th March 2026.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ambrose Rachier".

Mr Ambrose Rachier,
Chairperson, SU-ISERC