

Edinburgh Napier University Business School

Master of Science

In

Investment Promotion and Economic Development

Socio economic impact of Foreign Direct Investment (FDI) in an Emerging economy: Case study of representative investment projects in Sierra Leone for the period 2000-2008

By

Adeyemie Fitzgerald Rodney-Sandy

January 2011

Socio economic impact of Foreign Direct Investment (FDI) in an Emerging economy: Case study of representative investment projects in Sierra Leone for the period 2000-2008

By

Adeyemie Fitzgerald Rodney-Sandy

January, 2011

Thesis submitted in partial fulfilment of the degree

Master of Science

In

Investment Promotion and Economic Development

ACKNOWLEDGEMENTS

When I started this rewarding academic exercise my wife had just given birth to our only son after seven years of marriage and I thought that it was a time that the family needed me most so I should abandon the project but she gave me courage and said that one day I will be telling a story.

Today I have to write this page as the first Sierra Leonean to earn this coveted degree. Therefore my unreserved thanks go to my wife, Zynab for her advice, patience, love and understanding throughout the course of this study. Her support has been invaluable.

My special thanks go to Dr Francesca Giannotti who helped me secure most of the funding.

As is always, it is very difficult to acknowledge all those who contributed to a research work because of the number of people one interacts with during the course of the project and who may have contributed knowingly or unknowingly. I will therefore like to thank everyone who has helped in the successful completion of this work. Particularly my family had contributed to this study in many ways. These contributions are very important and I am grateful. To my dear son, Ryden, a special thanks for his understanding and inspiration and I know that I can count on him at all times for his support, understanding and love.

I would very much like to thank the DIAS coordinator Professor George Malcotsis who was always ready to help. He was of invaluable help when we were stranded in Baden, Switzerland during the research module workshop. He was just great. He relentlessly supported me throughout the two years of course work. Professor John Adams who supervised this project was like a father and his advice, amendments and recommendations helped shape the outcome of the work.

Both professors are now everlasting friends. Of equal importance are all the tutors of the various modules of the course. I thank them all. I dedicate this work to the family.

Table of Contents

List of Tables and Figures

Abstract

Chapter 1 – Introduction

1.1 Country Overview

1.2 Economic Developments

1.3 Social Developments

1.4 Statement of the Problem

1.5 Research Aims

1.6 Research Objectives

1.7 Scope and Limitation of Study

1.8 Structure of the Dissertation

Chapter 2 – Literature Review

2.1 Overview of FDI in Africa

2.2 FDI in Telecommunication Sector

2.3 FDI in Banking Sector

2.4 Theoretical Model

2.4.1 Trade Liberalization

2.4.2 Financial Liberalization

2.4.3 Privatization

2.5 Importance of Theoretical Model

2.6 Summary

Chapter 3- Research Method

3.1 Introduction

3.2 Research Methods

3.2.1 Quantitative Method

3.2.2 Qualitative Method

3.2.3 Secondary Data Collection

3.3 Demographic Literature Review

3.4 Sample Collection

3.5 Pilot Study

3.6 Questionnaire Design

3.7 Sample Design and Profile of Respondents

Chapter 4 –Data Analysis

4.1 Introduction

4.2 FDI inflow into Sierra Leone

4.3 Profile of Respondents

4.4 Gender based attitudes-banking sector

4.5 Gender based attitudes –telecoms sector

4.6 The influence of Age on attitudes- banking sector

4.7 The influence of Age on attitudes - telecoms sector

4.8 Source of income and attitudes to banking services

4.9 Source of income and attitudes to mobile telecoms services

- 4.10 Key Research Objective 1
- 4.11 Key Research Objective 2
- 4.12 Key Research Objective 3
- 4.13 Key Research Objective 4
- 4.14 Paired Samples t-test analysis
 - 4.14.1 Paired Samples t-test analysis-banking
 - 4.14.2 Paired Samples t-test analysis-telecoms
- 4.15 Correlation matrix analysis
 - 4.15.1 Correlation matrix analysis- banking
 - 4.15.2 Correlation matrix analysis -telecoms
- 4.16 Supply chain management in the banking industry
 - 4.16.1 Suppliers performance
 - 4.16.2 Relationship with Suppliers
 - 4.16.3 Sustainable suppliers
- 4.17 Supply chain management in the telecoms industry
 - 4.17.1 Network Equipment supply chain
 - 4.17.2 Marketing and Devices supply chain
 - 4.17.3 General Services supply chain
 - 4.17.4 Information Technology
- 4.18 Key Research Objective 5
- 4.19 Key Findings of the study

4.19.1 Social and Economic benefits of the Opening of the banking sector

4.19.2 Social and Economic benefits of the liberalization of the telecoms sector

Chapter 5- Conclusion

5.1 Foreign Direct Investment

5.2 Socio economic effect of FDI in the Banking Sector

5.3 Socio economic effect of FDI in the Telecoms Sector

5.4 Supply chain analysis

5.5 Reliability and Validity

Appendices

- **Confidentiality**
- **Declaration**
- **Questionnaires**

Bibliography

List of Tables and Figures

Tables

Table 1 t-test analysis banking –Gender

Table 2 t-test analysis banking –Age

Table 3 t-test analysis mobile phone-Gender

Table 4 t-test analysis mobile phone- Age

Table 5 Correlation matrix banking –Gender

Table 6 Correlation matrix banking –Age

Table 7 Correlation matrix mobile phone-Gender

Table 8 Correlation matrix mobile phone- Age

Figures

1.1 Map of Sierra Leone

1.2 Sierra Leone Real GDP Growth

1.3 Sierra Leone :Economic Context

1.4 Sierra Leone Inflation

4.1 Total FDI inflow into Sierra Leone

Gender -Banking

4.2 Preference for banks

4.3 Reasons for choice of bank

4.4 Main banking services used

4.5 Benefits of banking liberalization

4.6 Effect of banking liberalization

4.7 Use of electronic banking services

4.8 Interest rates for borrowing

4.9 Interest rates for savings

Gender – Telecoms

- 4.10 Acquisition of mobile phone
- 4.11 Means of Communication available
- 4.12 Reasons for buying Mobile phone
- 4.13 Benefits of Mobile phone

Age – Banking

- 4.14 Preference for banks
- 4.15 Main banking services used
- 4.16 Nature of accounts
- 4.17 Reasons for choice of bank
- 4.18 Benefits of banking liberalization
- 4.19 Effect of banking liberalization
- 4.20 Use of electronic banking services

Age-Telecoms

- 4.21 Means of Communication available
- 4.22 Comparison of phone cost and benefits
- 4.23 Importance of mobile phone
- 4.24 Profile of calls in a day
- 4.25 Most important contribution of Mobile phone
- 4.26 Benefits of mobile phone
- 4.27 Reasons for buying mobile phone

Source of income and attitudes to banking services

4.28 Main banking services used

4.29 Average monthly income

Source of income and attitudes to banking services

4.30 Average monthly income

4.31 Source of maintenance cost for mobile phone

4.32 Preferential spend of disposable income

4.33 Maintenance cost of mobile phone per month

ACRONYMS

ADB- AFRICAN DEVELOPMENT BANK

CSP- COUNTRY STRATEGY PAPER

CRF- CONSOLIDATED REVENUE FUND

ECOWAS-ECONOMIC COMMUNITY OF WEST AFRICAN STATES

FDI- FOREIGN DIRECT INVESTMENT

GDP - GROSS DOMESTIC PRODUCT

HIV/AIDS- HUMAN IMMUNODEFICIENCY VIRUS/ACQUIRED IMMUNE DEFICIENCY SYNDROME

ICT –INFORMATION COMMUNICATION TECHNOLOGY

ITU-INTERNATIONAL COMMUNICATION UNION

IMF- INTERNATIONAL MONETARY FUND

MDA's -MINISTRIES DEPARTMENTS AND AGENCIES

MDG's- MILLENIUM DEVELOPMENT GOALS

NEPAD- NEW PARTNERSHIP FOR AFRICA DEVELOPMENT

NRS-NATIONAL RECOVERY STRATEGY

ODA-OFFICIAL DEVELOPMENT ASSISTANCE

PRSP-POVERTY REDUCTION STRATEGY PAPER

SANE- SOUTH AFRICA, ANGOLA, NIGERIA AND EGYPT

SAP-STRUCTURAL ADJUSTMENT PROGRAM

SSA-SUB SAHARAN AFRICA

UNCTAD- UNITED NATION COMMISSION FOR TRADE AND DEVELOPMENT

UNICEF-UNITED NATIONS CHILDRENS DEVELOPMENT FUND

ABSTRACT

Sierra Leone is an attractive investment destination because it is considered as a virgin location after the civil conflict and offer first- movers advantage for many investment possibilities because of the low level of investors. The World Bank has implemented a number of Doing Business reforms and the country is now an active reformer for the improvement of the business and investment climate. The government has therefore implemented policies for the promotion of foreign direct investment (FDI) and for achieving sustainable development.

Amongst the sectors that are benefitting from the government economic liberalization strategy are banking and telecommunication

Rightly so numerous FDI projects have taken place since the year 2000 and these have had socio economic impact on the population. The aim of this study is to determine the impact of FDI in the two priority sectors of banking and telecoms on the western area community of the country.

In pursuant of this goal both quantitative and qualitative methods were used for data collection. The data collected were analysed by standard scientific research methods.

As a result of the opening of the banking sector, the country has witnessed the arrival of seven Nigerian based banks into the financial sector. This has led to the inflow of capital, creation of jobs, increase availability of financial services, improve access to credit and short term loans for businesses, the introduction of innovative banking services, improvement in the efficiency of the banking services and support for economic growth and the move towards a market based economy.

The telecoms sector also enjoys considerable liberalization and has contributed in diverse ways towards the improvement of the socio economic conditions of the western area populace.

There has been a tremendous growth in mobile telephone ownership and usage and access to mobile telephone is considered a factor for economic growth. Mobile telephone is the predominant means of communication, it increases social values, increases businesses profitability, improves living standard, increases growth and ultimately alleviate poverty.

If used properly it can have significant outcome in addressing specific social and economic development goals as well as play a key role in the support of national objectives.

Increased competition, new government regulations, new technologies, greater use of outsourcing and a broader portfolio of products and services have profoundly affected the issue of profitability and the supply chain process. The need for an effective supply chain management in business institutions can therefore not be overemphasised.

Chapter 1

Introduction

1.1 Country overview

Sierra Leone is a country that is situated along the West Coast of Africa and is an attractive investment destination for many reasons. It is rich in mineral resources, a strategic maritime location, abundant labour at low cost as well as potential in various sectors in the economy, good climate all year round, fantastic tourist opportunities and offer first- movers advantage for many investment possibilities because of the low level of investors.

Figure 1.1 Map of Sierra Leone



The country is emerging from a 10 year civil conflict in which it suffered massive economic and infrastructural destruction. Since the end of the war in 2000, the government of Sierra Leone, with strong support from its development partners, has made considerable progress in improving on the country's economic performance by putting together a comprehensive economic and financial reform programme.

The main focus is on improving governance including anti-corruption, increased transparency and accountability in the use of public resources, fiscal discipline, the trimming of the public sector – including privatisation as well as the establishment of an efficient service delivery. Encouragement of the business sector through reform in areas such as investment climate, financial sector reforms, liberalization of the economy and a review of customs and taxation tariffs formed part of the strategic action plan. This has laid the foundation for sustained real growth and poverty reduction. International Monetary Fund (IMF) country report No 07/17, (2007)

Economic development is an essential element for every country but it is especially crucial for those countries emerging from protracted armed conflicts with the aim of consolidating the peace, recovery and reconstruction process. The war in Sierra Leone contributed to the collapse of most, if not all, institutions and physical infrastructure, including electricity, water, roads, and transportation and communication. These are definitely strong limiting factors for economic growth in economies shattered by conflicts. These factors have not only lowered the confidence of entrepreneurial investors but also deprived the nation of much needed human capital.

Thus foreign aid and foreign direct investment has been the two main sources for capital inflow that the country relies on for national development. As a post conflict country it is desperately in search of increased foreign investment to supplement the flow of aid into the country, revitalize its industries and rebuild its damaged infrastructure.

Annual output growth has been good, due to strong recovery in agriculture, mining, construction and service sectors. The main achievements include: high real GDP annual growth, low inflation and positive real interest rates, a significant lowering of fiscal and external current account deficits, lower domestic borrowing, relatively stable exchange rate, and a rebuilding of domestic revenues and gross international reserves. Public financial management reforms and domestic resource mobilization policies have substantially strengthened fiscal performance leading to price stability, overall external balance and improved resource allocation for generating growth and reducing poverty, African Development Bank (ADB) country completion report, (2009).

The ADB country completion report (2009), states that the improvement in the external sector has for the most part, reflected a strong improvement in export performance, particularly for diamonds. Efficient aid and public debt management policies have significantly improved donor confidence and development assistance. Structural reforms have helped to establish a basis for sound public finances and the effective conduct of macroeconomic policies.

The economic outlook in the medium-term continues to improve. Over the medium term, increased productivity, expanded capacity, improved competitiveness, continued policy reform and a stronger performance by the export sector is expected to support accelerated growth.

There are however key socio-economic challenges in the medium term, including poverty, which remains pervasive, particularly in rural areas, where about 70 percent of the population lives below the equivalent of one U.S dollar a day. There is the need to ensure that the gains from economic growth are sustained and they reach the poor. The country's development challenge is not only about achieving faster growth, but also about broadening participation and accelerating the pace of social advancement. Thus additional resources would be required to adequately support a wide range of growth-generating public programmes, with strong emphasis on roads, energy, shelter and water alongside on-going support for ongoing education and health initiatives, Sierra Leone Poverty Reduction Strategy Paper (PRSP) review paper (2007).

Furthermore, inflation risks remain high largely on account of the impact of international high oil prices and the pass-through effects on domestic prices through corresponding increases in the prices of petroleum products. Public financial management remains the critical instrument for continued improvement in public service delivery through increased accountability and transparency.

While the external current account deficit is expected to improve as exports pick up and import growth slows, thereby slowing the rate of depreciation and fluctuations in the exchange rate, the currency is also expected to remain highly vulnerable to external shocks, such as rises in oil prices. International Monetary Fund (IMF) country report 07/17, (2007)

The government, having recognized the centrality of the private sector to its economic growth and poverty reduction efforts is providing support to establish the private sector as the central pillar for growth, job creation, increased income and subsequent poverty reduction on a sustainable basis. The overall objective of these interventions in the private sector is to create an enabling environment for private sector development and joint venture foundations.

1.2 Economic Developments

Sierra Leone's strong recovery, which began in 2002 continued for a sixth unbroken year into 2008 when real Gross Domestic Product (GDP) grew by 5.5 percent despite rising food and fuel prices, that have raised challenges in effecting poverty reduction. The rise in the international prices of food and fuel in 2007 and 2008 and the subsequent pass through to domestic prices posed a serious challenge to the government in terms of revenue shortfalls due to the reduction of import tariffs on food and petroleum products in an effort to address the food and fuel crisis.

The country adopted an Interim Poverty Reduction Strategy Paper (I-PRSP) in 2001, followed in 2002 by a National Recovery Strategy (NRS). In 2003, "Vision 2025" outlined long-term development goals. The most recent PRSP, for 2005-08, prepared with wide participation, has three pillars: Good governance, peace and security; Pro-poor sustainable growth; and Human development.

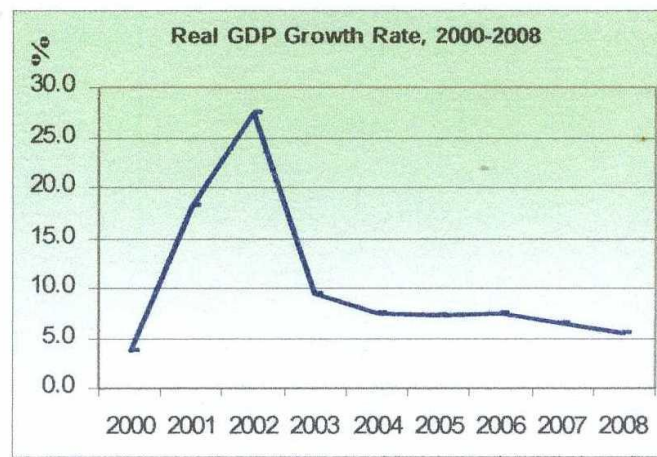
It strives to achieve the MDGs, to improve living conditions, to address the causes of conflict and poverty, and to tackle short term human development challenges, such as priority diseases, providing quality primary education, especially for girls, affordable shelter, and job creation. However progress towards the MDGs has been uneven.

In recent years, growth has been propelled by remittances and investments from the Sierra Leone Diaspora, in selected mining investments, notably in titanium oxide, iron ore and bauxite, and by foreign aid particularly Official Development Assistance (ODA). Much of this growth is concentrated in the informal agricultural, fishing, mining and services sectors that make up the bulk of the economy.

Formal activity is confined primarily to large scale mining, commercial agriculture, construction, retail services, tourism, and government employment.

Figure 1.2 shows the real GDP evolution and the peak in 2001-2002 marks the end of the civil war and a huge increase in foreign aid.

Figure 2: Sierra Leone Real GDP Growth



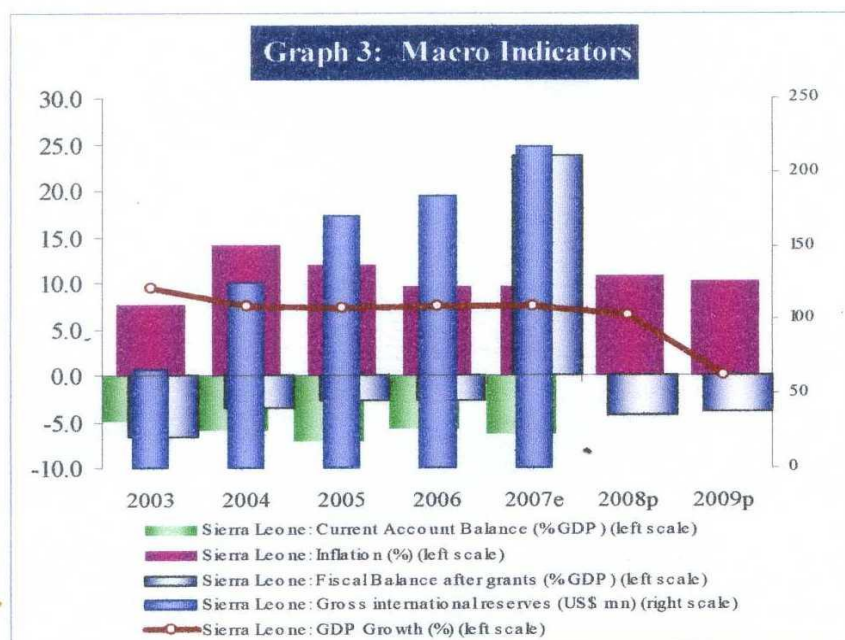
Source: ADB Statistics and IMF: African Economic Outlook 2008

Figure 1.2 Sierra Leone Real GDP Growths

The country has broadened its export base from an almost exclusive concentration on diamonds in recent years to include titanium oxide, iron ore, bauxite, and a growing volume of cash crops. Export growth was positive for all products in 2007 but fell in 2008 due to technical problems with the kimberlitic diamond and titanium oxide mining operations. The external current account deficit (including official transfers) increased to -8.4 percent of GDP in 2008 from -3.5 percent of GDP in 2006. Official reserves reached US\$209 million in 2008 or 5.1 months of import coverage.

Figure 1.3

Figure 3: Sierra Leone: Economic Context



Source: ADB Statistics, African economic outlook 2008.

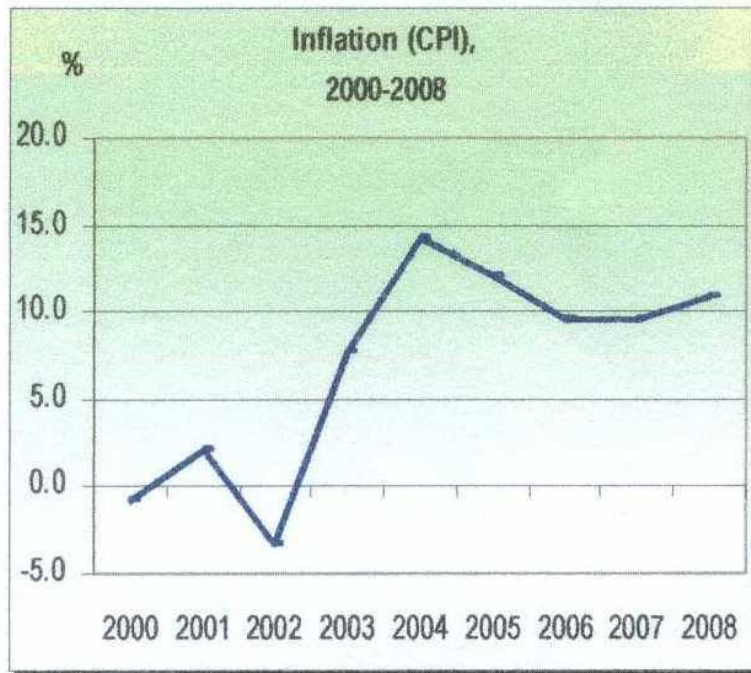
The country has a GDP of USD 17.3 billion in 2008 compared to USD 1.4billions in 2006. An encouraging observation is that poverty decreased from 67.5% in 2003 to 61.6% in 2007.This is consistent with the Country Strategy Paper (CSP) target of reducing poverty to 57% by 2009, African Development Bank (ADB) country completion report, 2009.

Sierra Leone has enjoyed a solid economic growth of about 10 per cent from 2002 to 2007, but real GDP growth between 2005 and 2009 has been around 6.3 per cent which means the Country Strategy Paper (CSP) target of 6 to 9 percent target over the 2005-2009 has been achieved.

The end-of-period inflation rates in 2007 and 2008 were 13.8 percent and 12.2 per cent, respectively, up from 8.3 percent in 2006. The drop in the rate was partly due to the declining trends in the average world market price of crude oil which dropped from a record high price of US \$132 per barrel in June 2008 to US\$39.95 per barrel in December 2008.

The exchange rate remained fairly stable through 2008 at just under 3,000 Leones per US dollar but has since depreciated to 3,500 Le/US\$ in the third quarter of 2009 due to falling export receipts.

Figure 4: Sierra Leone Inflation



Source: ADB Statistics Department and IMF.

1.3 Social Developments

Poverty in the country continues to be deep and widespread in the rural areas. The UN Human development Index (2007) ranks Sierra Leone in the bottom of 177 countries, with 70% of population living below poverty line and 2/3 of the population is in the rural areas. The country's health care system is plagued with numerous problems ranging from poor infrastructure to lack of sufficient professionals. However health indicators are showing some improvement as a result of the strategic intervention by government. Maternal mortality rate is down to 1,500 per 100,000 compared to 661 for Africa, 440 for developing countries and 13 for developed countries. Infant mortality under 0 to five years decreased from 170/1,000 to 115/1,000 in 2007 compared to 80.6 for Africa.

The progress noted in health indicators is associated with decentralization projects and devolution of power to local councils who now pay special attention to all their respective economic and social amenities. Despite this progress, it is unlikely for the country to meet targets of the Millennium Development Goals (MDGs) by 2015, as years of conflict have damaged basic health infrastructure, African Development Bank (ADB) country completion report, (2009).

The country faces several challenges including the lack of skilled staff, and adult literacy is only 30%. Ongoing social sector projects include (i) Support to basic and non-formal education (ii) Strengthening of district health services and (iii) Social action support project. In general, delivery of basic social services has started to improve. Local councils now have a greater role in basic education, primary health care, water supply, and feeder roads. Access to and citizens' satisfaction with primary education and health improved between 2005 and 2007, significantly in some cases.

A national zero-prevalence survey showed HIV/AIDS prevalence of 0.9 nationally: 2.1 percent in the western area and 0.7 percent outside western area. In 2007, the primary results of the first antenatal prevalence study showed overall national HIV/AIDS prevalence of 3.4 percent and 4.7 percent in the western area, which suggests that Sierra Leone needs urgent assistance in this area, UNICEF Statistics, 2008.

As at the end of 2008, the primary school enrolment has doubled since the end of the war. The Ministry of Education, Youths and sports 10 year education sector plan addresses development of policies to address, amongst other things, the gender issues which negatively impact on the education sector such as gender inequality and gender based violence. The sector plan also seeks to directly tackle the problem of out-of-school children with targeted responses which break down the barriers preventing children from going to school and thereby reaching those disadvantaged children who have special needs, come from underserved rural areas or live in extreme poverty.

Supporting post-primary education as a linchpin for the education sector and society as a whole is also a priority since post-primary education produces skilled personnel and technicians such as administrators, qualified teachers and female role models essential for the healthy development of the nation, Sierra Leone Education Sector Plan, 2005. Youth unemployment is very high in the country as a result of lack of skills training by these youths and commitment to a good life is also very low. Government is very concern about the youths and the implications for economic growth and has therefore created a national youth commission to specifically address the entire profile of issues affecting youth development. Sierra Leone's life quality through acquisition and job creation rate has remained very low as youth unemployment remains a serious problem, Cunningham, W and Peeters, P, 2006.

One of the major impacts of the 10-year civil conflict was the acceleration of rural to urban migration of this age group and deprives them of the opportunity to acquire the required skills for employment. The plight of this category of the labour force is compounded by the slow expansion of the private sector and, by implication, the limited employment opportunities for unskilled labour. First, for age 20-24, it is estimated that 1 in 3 urban residents and 1 in 6 rural residents are inactive in the labour market. Additionally, the overall skill level of young people is low. Thirty five percent of 15-to-24-year olds and 63 percent of 25-to-35-year olds have never attended school. Among both age groups, only 20 percent finished primary school, Sierra Leone Housing and Population Census survey summary report, 2004.

1.4 Statement of the Problem

Improved economic conditions since the civil war ended in January 2002, along with greater political stability, improved governance, economic reforms and a more forward –looking government policy, have led to the increase in FDI flow into the country.

The country has moved to 156th in the International Finance Corporation's "Doing Business" ranking and occupies the 7th position out of 15 ECOWAS countries. The country is top-ranked in West Africa in terms of starting business, issues with licences, contract enforcement, and high tax rates.

The telecommunications sector has seen rapid expansion in mobile telephone technology with about four FDI investments projects in this sector. Mobile telephony networks have spread rapidly to the regions and low income communities in the country. Most people now own telephones and those who do not have make use of public mobile telephones. In the banking sector, Malaysian investors have opened the International Commercial Bank and Nigerian investors have opened seven banks including the First International Bank, Access Bank, United Bank for Africa, Sky Bank, Guaranty Trust Bank and Zenith Bank. Informal banking has thrived in most communities the country. After the events of the war, security and safety of funds has become paramount. Thus there is evidence of a transformation from informal banking to formal banking. Furthermore the increase in investment in the banking sector has provided more opportunities for SME's to have access to finance to support their business plans and ultimate growth.

Specifically the investment in these two sectors has contributed to the economic and social development of the country. However, there is no empirical statistics to show how these FDI investments have contributed economically and socially to the country and to the lives of the rural and urban population. The real problem is that these contributions have not been measured so this study is to identify and assess the economic and social benefits of these investments. Further to look at the supply chain profile of some of these corporate institutions.

1.5 Scope and Limitation of study

This study is restricted to the western area of the country. Interviewees are selected from a wide range of users including public and private sector employees, religious leaders, security personnel, unemployed and other members of the informal sector.

Two focus group discussions are conducted one for telecommunications and one for banking. Secondary data were collected from only two companies in the representative sectors.

1.6 Research Aims

To determine the socio- economic impact of foreign direct investments (FDI) in terms of wealth creation, economic development, economic growth, improvement in standard of living, improvement in productivity and supply chain benefits as a result of FDI in the telecommunication and banking sector.

1.7 Research Objectives

- To identify and assess social impact as a result of foreign direct investment (FDI) in the telecommunication and the banking sector which have significantly influenced the lives of the people of Sierra Leone.
- To identify and assess economic impact as a result of foreign direct investment (FDI) in the telecommunication and the banking sector which have significantly influenced the lives of the people of Sierra Leone.
- To conduct supply chain analysis of selected telecommunication and banking institutions.

1.8 Structure of the Dissertation

This work comprises of four additional chapters, 2, 3, 4 and 5. Chapter 2 will deal with current knowledge on the research topic by review of the relevant literature of previous studies on the effect of FDI in African economies and in the two research sectors of telecoms and banking. A review of the theoretical model of economic liberalization and its importance will also be included in this chapter. This will serve as the link between the objectives of the study and the analysis of the data that will be collected. Therefore a critical review and ‘judgement’ on the merit and demerit of issues in the literature therein will be conducted.

Chapter 3 will deal with the research methods used, type of data to be collected, the sample format and the profile of respondents. Chapter 4 will consist of the analysis of all data collected with a view to addressing the key research objectives. Charts and tables generated from the analysis will be displayed and used in the provision of answers for the research questions.

Specific statistical analyses will be conducted based on the attitudes of gender type, age and source of income. Paired sample t-test to determine where differences are statistically significant and correlation matrix of response to determine which responses are highly correlated with each other will be also conducted. The key findings in the study will be outlined and the socio economic benefits of economic liberalization will be included in this chapter.

Supply chain management review will be conducted on two FDI operating companies. The contributing benefits of supply chain management to industry competitiveness will be the major focus.

Chapter 5 as the concluding chapter will highlight which objectives have been fully met and those which have only been partially answered. Specifically this chapter will conclude with a review of the volume of FDI inflow into Sierra Leone and the socio economic effect of FDI in the two researched sectors. It will seek to relate the findings of the study with the views of the literature reviews and further bring out agreements and differences. It will summarise the impact of supply chain management on industry competitiveness and the benefits it brings to the operators. It will also deal with the aspects the reliability and validity rating of the study and the limitation and scope of this exercise.

Chapter 2

Literature Review

2.1 Overview of FDI in Africa

In 2007, Ayanwale in his work on FDI and economic growth found out that foreign direct investment flows have grown rapidly all over the world because many developing countries now see FDI as an important element in their strategy for economic development. The total FDI inflow to developing countries was \$190 in 2000 and grew dramatically to \$648 billion in 2004 and to \$1,833 in 2007 (UNCTAD, 2008). This was due to the mergers and acquisitions including private-to-private transactions as well as acquisitions through privatization, which increased significantly in developing countries. This phenomenon is now an increasingly important vehicle for FDI inflow, Kyaw S (2003).

Following their accumulation of unsustainable external debts in the 1980's, many African countries increasingly adopted alternative strategies for mobilizing development finance. One notable strategy attempts to attract new inflows of foreign direct investment (FDI). This change in strategy reflects the following factors: First, both bilateral and multilateral lending institutions now focus more attention on transitional economies in Eastern Europe and emerging markets in Asia, thus depleting funds available for loan to African countries, Gabriele, A., K. Boratav., and A. Parikh, (2000). Second, African countries realize, to their utter dismay, that debt service is an albatross in their quest to mobilize capital for domestic development projects. Third, excessive debt service burdens severely constrain the capacity of African governments to provide quality social services, such as health, education, and infrastructure for the citizenry. Finally, their obligations credit nations comprise the ability of these governments to act independently in the international political economy.

In Africa, FDI inflows increased from \$10 billion in 2000 to \$18 billion in 2004 and to \$53 billion in 2007, an increase which is still poor when compared with the FDI investments in other continents.

Much of the flow of FDI to Africa has gone to South Africa-about 37%of FDI in 1999 and 90% of portfolio investment.

Other major recipients of foreign direct investment in recent years include Nigeria, Egypt, Tunisia, Algeria, Angola, Ghana, Mali, Uganda, and Tanzania. The favoured sectors have been tourism, food and beverages, brewing, textiles and leather, telecommunication, agriculture, and mining (UNCTAD report 1999; 45-52).

Despite the increase in FDI to Africa it is still less than 3% of global FDI inflows and the Africa share of global inflow fell from 3.1% to 2.9% in 2007. It is interesting to note, however, that the rate of return on FDI in Africa has been rising since 2000 and it is currently at about 12% which is the highest in the developing world. The UNCTAD (2007) report also shows that there was a shift in the source of FDI, with Asian countries (especially China and India) playing a more active role in the economy of African countries through both Greenfield investment and cross border acquisitions. Sector ally, there was a surge of FDI flow into Africa in the primary sector, mainly oil and gas. In addition, the services sector particularly transport, information, and communications continue to attract FDI. Even though the volume of FDI to Africa has increased substantially, the continent remains largely marginalized and where FDI flow exists it is concentrated in the primary sector.

As globally, FDI in Africa is highly concentrated and varies substantially among countries. Five countries receive about 2/3 of all inward FDI in 2005 (UNCTAD, 2006a, p. 45) and many countries receive very limited FDI. Similarly the outflow of FDI is also dominated by five countries. The explanation for this disparity has remained a controversial issue in the literature. While some analysts emphasize the salience of democracy, transparency and good governance for attracting FDI in Africa, others point to the need for a stable macro-economic environment and the capacity for economic management, Mlambo,K and Oshikoya,T.W(2001).

The global shift from manufacturing sector towards services sector is less pronounced in Africa as the importance of FDI in the primary sector and natural resources is significant, while the manufacturing sector is of minor importance (UNCTAD, 2006a, p. 45-46).

However, the focus on services sector by FDI, followed by investments in primary sector and leaving manufacturing behind, is a reflection of the general modest development of the secondary sector in Africa, which is far from generating the amount of jobs and input to the economies as in more or less all other places around the globe.

Furthermore, the relationship between the foreign and the domestic firms is essential if a positive impact is to stem from FDI and, hence, a focus on the type of technology transfer, and to what extent the relationship provides options for the domestic firms to learn and improve their performance, is crucial. If FDI just enters a developing country as an enclave (for example being physically located in an Export Promotion Zone), drawing on inputs from outside the country and exporting the products to foreign markets the potential for transfers and learning is highly limited. And, as Altenburg, among others have argued, not only the linkage itself is important but the type of linkage (backward, forward, competitor) is important too. In policy terms, this should be reflected in dedicated government policies enhancing the various types of linkages Altenburg, T, (2002.)

Analysing at the firm level also allow for clarification of whether the employment created is benefiting the skilled or the non-skilled workers. Crudely speaking, more capital-intensive types of FDI tend to benefit the better-educated, often urban-based part of the population, while more labour intensive types benefit the non-educated, un-skilled segments. And if the FDI (Greenfield or Brownfield) is placed in a rural setting, the potential of benefiting the poorest is increased. This again, however, relates to both the infrastructure situation and how the investment can manage the logistics of the activities and the presence of domestic and/or foreign firms and other organisations to collaborate with, Sumner, A, (2005).

In Africa, as in many other settings, there seems to be a concentration in and around the capital and major centres of economic activities not supporting a wider spread of benefits from FDI. In addition to this, national systems of learning are weak, fragmented, and poorly financed.

Hence, in terms of securing the widest range of benefits from FDI, the developing country governments have a major task and responsibility in designing appropriate policies and supporting the domestic industry through technology transfer and the establishment of linkages with foreign firms, in relation to providing the necessary infrastructure, Wad,P and Jeppesen,S(2006). Still, it is, nevertheless, a difficult task when the large share of FDI is aimed at natural resources, where few linkages are found and the potentials of upgrading are limited.

UNCTAD report (2007) published that about 40 African countries introduced 57 new measures affecting FDI, of which 49 encouraged inward FDI. The increase in FDI inflows largely reflected relatively high economic growth and strong corporate performance in many parts of the world (UNCTAD 2008). Reinvested earnings accounted for about 30% of total FDI inflows as a result of increased profits of foreign affiliates, notably in developing countries. This was due to the increased interest in natural resources, improved prospects for corporate profits and a more favourable business climate. In the light of the expected benefits many studies have been conducted, but the empirical results do not give conclusive evidence of the impact of FDI on the economy of developing countries. However the effect of FDI on economic growth depends on whether the country has minimal level of absorptive capacity in terms of educated workforce, institutional infrastructure and liberalized market.

Adams, S (2009), discovered that FDI contributes to economic development of host country in two main ways, augmentation of domestic capital and enhancement of efficiency through the transfer of new technology, marketing and managerial skills, innovation and best practices. FDI has both benefits and costs and its impact is determined by the country specific conditions in general and the policy environment in particular in terms of the ability to diversify, the level of absorption capacity, targeting of FDI and opportunities for linkages between FDI and domestic investment. However, Adams did not bring out the economic effect of investment per sector.

In fact, despite political, economic and institutional reforms in Africa during the past decade, the flow of foreign direct investment (FDI) to the region countries has been disappointing and uneven, Onyeiwu, S and Sherstha, H (2004).

They identified the following factors as significant for FDI inflow to Africa: evidence of economic growth, manageable inflation, openness of the economy, good government policies, natural resources availability and above all attractive business and investment climate. This has led to many African countries improving their business and investment climate to attract more FDI.

Thus many economies are now part of the World Bank Doing Business reform project, which provides a quantitative measure of regulations for starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and operating a business – as they apply to domestic small and medium size enterprises. Therefore economies benefits from good business rules which are accessible to all who need to use them, World Bank Doing Business report (2009).

Furthermore, Wint A.G. and William D.A. (2002) applauded the efforts of developing countries to promote their economies as sites for foreign direct investment. But in the midst of their efforts, there is the concern of the indiscriminate use of incentives to attract FDI. Thus the need for countries participating in regions to harmonize investment codes, to avoid countries within the region engaging in a “race to the bottom” as each seek to attract investors with even more generous package of tax concessions.

It is also a widely held view that governments can influence FDI flows through special attractions efforts in the form of investment promotion. Thus, where there is convergence amongst countries with respect to investment policies, differentiated or divergent promotional programs might still be effective in distinguishing one country as a site for investment relative to the other. Further, country investment policy reforms process should concentrate on both domestic and foreign investors.

In this way selective interventions targeted at attracting specific foreign firms are complemented by functional interventions that improve investment prospects for all potential investors within the economy, Wint, A.G, (1998)

Musila, J.W and Sigue P.S, (2006) argues that while economic reforms and policies aiming at improving investment environment in Africa are a basic requirement to stimulate investments, the attraction of FDI that is consistent with development goals of each Africa country requires more than policy statements and institutional changes. Accordingly, they argue that clear strategic marketing approaches to select FDI and to design sustainable and competitive positioning strategies able to match the interest of the investors in a free market should be used. Thus the need for the creation of investment promotion centre's throughout the continent to help carry out this critical task.

Most African countries have relatively small market sizes due to their small populations and per capita incomes. A small market size deters the inflow of FDI. The new partnership for African development (NEPAD) which seeks to attract FDI to the region, has as one of its objectives, the achievement and sustainability of an average domestic product (GDP) growth rate of 7% per annum, in order to reduce the share of African living in poverty by half and as well, attain other goals by the year 2015. This will require huge investment injection in various sectors of Africa economies such as Agriculture, Industry, Service, Education and Health. Unfortunately, however, investment rates (share of investment in GDP) in Africa have on average, a declined from 28.5% during the 1980s to 20.2% during the 1990s, and domestic savings have declined over the same period, especially in poor countries. Consequently, the gap between savings and investments (known as investment gap) has increased in most African countries, Funke, N and Nsouli S M (2003).

NEPAD seeks to enhance and strengthen regional economic integration in order to enlarge small markets. In the long run, access to a large regional market should attract FDI to Africa.

Also, as sectorial priority, NEPAD aims to improve productivity in agriculture, which should help increase purchasing power and therefore the market

While NEPAD does not mention the lowering cost of labour directly, however its focus on human resources development as a priority and to revamp the education and health systems can be seen as ways to improve labour efficiency and therefore to lower the cost of labour. Eventually as the economic wisdom suggests, efficient labour should attract FDI.

As sectorial priority, NEPAD emphasizes the need to improve access to affordable and reliable infrastructure services such as transportation, information, and communication, technology and power, for both firms and households. Indeed as the literature suggests improvement in access and quality of infrastructure should help attract FDI to the region. Thus the launch of a result oriented, inclusive and comprehensive Africa investment initiative to create positive investment environment across the continent. The initiative to create positive investment will help build the road map for key policy benchmarks for reforms, assist in the implementation and monitoring and contribute to building of institutions and human resource capacities.

All of this will be supported by the NEPAD's commitment to the improvement and adherence to good governance, democracy, peace, respect for the rule of law and human rights, infrastructure development, capacity building and sound economic management. (The NEPAD declaration, 2001) Clearly Africa is known for conflicts and cessation of hostilities has been recorded in a number of countries which present themselves as a new born location thus approaches towards these countries must be unique.

Foreign direct investment (FDI) can have a strong, positive impact on rebuilding conflict affected countries, bringing much-needed private capital, technology, and new skills, and stimulating local spin-off industries. Foreign investment can also enhance confidence in a country as an investment destination, which encourages investors to take advantage of the opportunities presented by the rebuilding process. The presence of new foreign investment is also a visible manifestation of hope for a better tomorrow for local citizens.

There is a direct correlation between conflict and poverty. With few exceptions, conflict affected countries are among the least developed. Of the 39 countries that are currently considered to be conflicted-affected, 30 are among the worlds poorest.

In Africa, South Eastern Europe and elsewhere, conflict has become a major constraint to poverty reduction, halting social progress and preventing economic growth.

2.2 FDI in Telecommunication Sector

In the last more than two decades-especially following the Washington consensus-economies across the globe are liberalizing their trade policies, reducing intervention of the government in the market and reducing the size of the government. Broadly speaking economies have deregulated their markets from Pakistan to Vietnam and from Mexico to Tanzania. Scholars, politicians and social activists are still divided over the implications of this denationalization, deregulation and privatization. Latin America has of late witnessed surge in the socialist sentiments. Studies on sub-Saharan Africa are also witness to the fact that Structural Adjustment Programs (SAP), deriving their inspiration from Washington Consensus have failed to come up to the expectations of the people and the governments of many developing countries. In the words of Joseph Stiglitz, 'the problem was that many of the liberalization policies became ends in themselves, rather than means to more equitable and sustainable growth.' Stiglitz, J (2002). Indian economy has grown substantially following deregulation. For the last almost one decade its growth rate hovers around 6% annually, which is enviable by all standards.

Stiglitz, writes that the IMF and the World Bank have approached the privatization issues from a narrow ideological perspective losing the sight from ground realities. The acclaimed objectives of privatization are: efficiency gains, fostering competition, and foreign direct investment. This has however been thoroughly contested. Khan, H.A, (2007). Privatizing an unregulated monopoly, writes Stiglitz, can yield more revenue to the government, and the IMF focuses far more on macroeconomic issues, such as the size of the government's deficit, than on structural issues, such as the efficiency and competitiveness of the industry.

Cote d'Ivoire presents a befitting example of what happens if privatization is not preceded with an adequate regulatory or competitive framework. When its telephone utility was privatized, there were no alternative service providers. Therefore the new monopoly soon raised the tariff so high thus making the use of internet service unaffordable for university students.

Therefore, 'the liberalization process through privatization process must not be used as a rubber stamp just to create an eye-wash in the face of general public.' Haroon, Y (2004). He further laid emphasis on both 'heavy-handed regulation' and 'clear regulatory legal framework' for an effective and win-win scenario in the case of telecom liberalization.

The liberalization of telecom sector should be seen as a function of regulation, technology and market. All three factors are equally important and although a trade-off exists, none can be ignored. For example, if the regulatory framework is either non-transparent or inflexible, then liberalization process would not attract new players. If technological advancements in the telecom sector are not reflected in regulations, then liberalization process would slow down. Similarly, if either the supply side of the market does not bring initiative and investment or the demand side of the market does not have capacity to pay, liberalization would not work. Thus we can say that regulation, technology and market are three determinants to measure success of liberalization, Salman, A, (2007).

Various studies have been conducted to gauge the impact of telecom sector liberalization on the society. On social side, it has been argued that improvements in telecom infrastructure brings people closer thus increasing the social capital and networking in a society, Samaan, M, (2003). It implies that telecom liberalization plays a direct role in economic development through fostering closer social ties and networking. This social impact of telecom liberalization is more visible in rural areas, where mobile phone is often shared. This sharing is too difficult in case of fixed telephone due to privacy issues assuming that fixed phone infrastructure is present in the village. Thus mobile phones seem to aid social networking and social cohesion.

ICT has revolutionized the global economy with changes in different economic activities. Experience has proved that given the proper infrastructure, ICT can be an enabler for socio-economic development, Kodakanchi et al (2006). ICT investment across the world is characterized as an invaluable platform for economic growth that is linked to improved productivity, competitiveness and citizen's engagement.

In terms of developing countries, the growth of the ICT sector and its contribution to GDP and exports has been researched extensively. Country level studies concluded that developed nations show a positive and significant relationship between ICT growth and productivity although there was no such evidence of such a relationship for developing nations, Dewan.S and Kraemer,K.L(2000); Pohjola,D(2001).

Mbarika,V.W et al, (2003), ICT is transforming the global economy and creating new networks that cross cultures as well as minimize distances. However, it is important to note that increased investment in ICT without movement of other socio-economic factors may not contribute to economic growth in a developing nation. It is important to note that ICT promotes economic growth as well as social opportunities rendering many traditional economic approaches less viable.

ICT can serve as critical enabler to achieve many of the millennium development goals because it has the potential to create job opportunities, improve delivery and access to health and education, facilitate information sharing and knowledge creation, and increase the transparency, accountability and effectiveness of government, business and non-profit organizations all of which contributes to an enabling environment for socio-economic development (Morawezynski, O and Ngwenyama, O, (2007).

Many countries in the developing world must decide how to best allocate scarce resources for the improvement of economic development. An International Telecommunication Union (ITU) study of telecommunication and development, ***The Missing Link***, concluded that "Telecommunications can increase the efficiency of economic, commercial and administrative activities, improve the effectiveness of social and emergency services and distribute social, cultural and economic benefits of the process of development more equitably throughout the country".

Access to telecommunication has been cited as a factor for socio economic development especially in rural areas, Samuel, J et al, (2005). It has been suggested that mobile communication increases growth, alleviates poverty, and helps in overcoming the perceived digital divide, Chakraborty, S (2005).

Although mobile phones cannot offer a panacea for all development problems, De Silva & Zainudeen, A, (2007) argued, however that there is an ample evidence that, used in the right way and for the right purpose, mobile phones can have a significant outcome in addressing specific social and economic goals as well as play a key role in a broader national development strategies. There is increasing evidence that access to ICTs has direct impact on raising the standard and quality of life of the poor and has indirect impact on poverty through growth and productivity. Information and knowledge enable the poor to understand better their own circumstances and to voice their own opinions and needs more effectively. ICTs are being introduced to empower rural communities.

The ICT sector is vital for growth because its associated production mechanisms have been characterized by rapid technology progress, solid and strong demand volumes, Oshikoya T.W, and Hussain, M.N (2007). The sector can make significant contributions to economic development, employment and exports. Moreover, with the intensive use of ICT within the economy, economic growth is usually positively affected with an emphasis and focus on the service sectors such as finance, business services and distribution. It is important to note that the largest economic benefits of ICT are typically observed in countries with high and increasing level of ICT penetration and diffusion, Pilat D, (2001). However, other vital elements need to be provided such as regulatory environment including government policies supporting ICT , availability of required human resources capacities and skills, enough local and foreign investments, scheme of innovation , social awareness of ICT importance and the effective deployment of ICT across the community, Oshikoya T.W, and Hussain ,M.N (2007). Therefore, countries with equal ICT diffusion will not exercise similar impacts of ICT on economic performance. In that respect, countries around the world have been investing over the last two decade in their ICT infrastructure with its different building blocks to realize significant economic gains.

The ICT sector in Egypt is a catalyst for economic development. The sector is a role model for reform especially with its mode of operation that is based on a multi stakeholder approach that includes multinationals, the private sector and civil society.

The implications of the massive investments in the telecom sector for example led to a unique growth rate globally in the rate of mobile user penetration that exceed s 50%, Kamel, T, (2007) which is one of the highest growth rates in the world and that reflects a strong and healthy purchasing power in the community and demonstrates signs of economic growth. Moreover, the investment in ICT diffusion as an integral element in the build-up of a comprehensive and state-of- the- art infrastructure that can enable a platform for socioeconomic development has been perceived as a vehicle for innovation and education, for better health services, for improved government services and for empowering the private sector.

2.3 FDI in Financial Sector-Banking

The banking sector is an integral part of any economy and hence plays a key role in the well being of the economy. A weak banking sector not only jeopardize the long term sustainability of an economy, but can also be a trigger for a financial crisis which can lead to economic crisis.

Hyuha, M et al (1993) writes that banking and finance structures in many African countries remain underdeveloped, financial instruments are narrow, and dispersion of the few financial institutions that exist is often highly skewed and concentrated mainly in urban centres. Furthermore, the state of underdevelopment of the formal financial sector is reflected in the important role played by the informal financial institutions in the mobilization and allocation of financial resources. A large proportion of credit needs of some important sectors that should be the engine of growth remains unfulfilled or only partially fulfilled through the informal financial sector.

Aryeeteh, E (1992) in his work on the relationship between formal and informal financial sector reveals that the most salient features of the financial system in Africa are: the low level of financial intermediation which takes place in the formal financial sector; the apparent alienation of officials of the formal financial sector from a large proportion of the African population; the neglect of the needs of the small-scale entrepreneur and the rural peasants; and an apparent lack of commitment by the formal financial system to the socio-economic transformation of African countries.

Accordingly, the focus of most formal financial institutions in Africa (especially the banking sub-sector) has been on support of trade-related activities, at the expense of investment in productive sectors.

An efficiently functioning financial system can contribute to the development of a country. The experiences of the newly industrializing countries of Asia bear witness to this observation. The financial sector's contribution to growth lies in its ability to enhance efficiency and to move excess savings from surplus units to deficit units. Furthermore, efficiently functioning financial systems often lower the cost of transferring resources from savers to borrowers.

A properly functioning banking and finance system is an essential infrastructure for a country to achieve higher levels of development. It is in this context, that structural adjustment programs often carry an element of "financial sector reform."

Ayadi, F .O and Hyman, L (2006) concluded in their research on financial liberalization in Nigeria that many developing countries embarked on a program of financial liberalization in order to maximize the benefits associated with a free market system. Thus market determined interest rates become volatile subsequently. Furthermore, they found out that the level of banking competition increased after financial liberalization.

According to Soyibo, A (1996,1997),the operators of the Nigeria banking system were convinced about the efficacy of the financial liberalization program in stimulating deposits as well as in promoting competition. However, he fails to bring out the opportunities for FDI as a result of financial liberalization.

Kolo, J, (2006), in analyzing the strategic issues involved in institutionalizing within a national financial system focuses on providing investment and working capital for poor entrepreneurs. Kolo, contended that institutionalizing a financial system approach is the most promising strategy to provide the poor with the productive capacity to engage profitably in their national economies; to earn enough to afford basic needs and stem the horror of abject poverty. He claims that this process requires the requisite roles and responsibility to be assigned appropriately to society's key stakeholders and concludes that all this creates an enabling environment for viable, profitable and sustainable microenterprises in West Africa.

The Indian banking sector saw significant changes in policy environment when financial sector reforms were introduced in 1992. These reforms were expected to benefit the operations of commercial banks, to enable them expand their operations efficiently in a more liberalized policy environment. Mahesh, H and Bhide. S (2008) found out that deregulations or reforms had a significant impact on all three types of efficiency measured. Advanced efficiency declined marginally, cost efficiency improved and profit efficiency shows a varying trend.

When countries contemplate liberalizing their banking sector to allow foreign participation there is the hope that foreign participation will reduce interest rates charged to borrowers through superior technical efficiency or increased competition.

Brock, P and Rojas-Suarez, L (2000), puts it most succinctly when discussing liberalization including the entry of foreign banks, in Latin America.

".....while the process of financial market liberalization is fully supported by policymakers in the region, there is a certain degree of disappointment with the results. In particular, policy makers expected that interest rates spreads would converge to international levels.....high spreads is usually interpreted as an indicator of inefficiency, which adversely affects domestic real savings and investment, p.114."

After zealously protecting their banking markets, in the 1990's developing and transitional economies began to scale down or eliminate foreign direct investment (FDI) in the banking sector.

Today, policy makers in a second wave of countries are in the early stages of opening their banking sector or are under considerable political pressure to do so. Indeed, banking sector opening has been making headlines in this decade. The India's government recently pledged greater opening of its banking sector by 2009, and the Chinese government has been selling significant equity stakes in some of the country's largest banks to foreign investors. Even smaller and less integrated economies, such as Vietnam and Libya, have developed strategies for opening their banking sectors to foreign capital and competition.

For developing country decision makers, this opening has raised urgent and complex policy questions. Banking sector opening can bring real benefits in the form of fresh capital, more competition, new financial products and improved corporate governance, but it also can introduce new financial risks and vulnerabilities.

To ensure that foreign entry delivers the most benefits while introducing the least amount of risk, developing country policy makers should address the banking system's structural problems-particularly high levels of concentration –before or in parallel with the opening, Detragaiache, E and Gupta, P (2004).

These countries should also diversify the mix of foreign entrants and the ownership structures of acquired domestic banks, set out a clear division of labour between home and host country bank regulators, and learn from the financial authorities of advanced economies how to best deal with the challenges posed by foreign entry. Not surprisingly, financial authorities have started to ponder not just whether but also how to open their banking markets to foreign capital. Hawkins, J and Mahaljek, D (2001) said that the banking system is often said to act as the nervous system of an economy. Banks play a central role in the allocation of financial resources and manage most financial transactions.

The global financial crisis has recently raised the concern amongst policy makers and economists on the issue of the dramatic reduction of private capital inflows to developing countries and its impact on economic growth.

FDI inflows to developing countries in 2008 grew at a much slower rate (7.2%) than in the previous year, (UNCTAD report, 2009 a). The effects on growth in the long run might be significant depending on the potential growth impact of each of the different categories of private capital inflows.

Over the past years, in the literature there has been increasing attention to the impact of growth of the different type of private capital inflows. Reisen, H and Solo, M (2001) measure the independent growth effect of FDI, bond flows, portfolio equity flows, official flows as well as short term and long term lending on a sample of 44 developing countries around the world over the period 1986-1997.

FDI and portfolio equity flows are found to exert a significant impact on growth; bonds and official flows do not have any significant impact on growth, while short and long term lending is found to negatively affect economic growth except when local banks are sufficiently capitalized.

However, Brambila Macias and I. Massa (2009) have examined the long run relationship between economic growth and four types of private capital inflows(cross border bank lending, FDI, bonds flows and portfolio equity flows) on a sample of 28 selected sub Saharan African (SSA) countries over the period 1980-2007 and later on larger sample of 43 countries spread across Africa.

They analyzed the relationship between private capital flows and economic growth and found out that FDI and cross border lending are the only two drivers of economic growth in sub Saharan Africa (SSA).

Brambila et al (2009) continued their study by investigating the relative importance for economic growth of these two categories of capital inflows in four different groups of countries (i) all Africa countries (ii) all African countries except the SANE countries (South Africa, Algeria, Nigeria Egypt) which are considered the dynamos of growth in Africa (iii) the oil producing countries which also include some of the SANE countries and (iv) the non-oil producing countries. Indeed, SANE and oil producing economies account for the highest share of the region's bulk of total FDI, and also attract most of the banks' international claims.

In a World Bank policy research paper Caprio, et al (1993) submitted that financial sector reforms have become an integral part of economic reforms in Africa. Many of the structural adjustment programs supported by the World Bank, the International Monetary Fund and other donors in Africa bear a component which requires the restructuring of the financial sector.

It is generally acknowledged that the performance of the financial sector in many African countries has been less than satisfactory, as has been the outcome of many of the financial sector reforms implemented.

In his work on banking sector opening Murinde, V (2009) analyzed the possible effect that foreign direct investment (FDI) and cross border bank lending might have on Africa's long run economic growth. He found a strong positive growth effect of FDI throughout the whole continent, and especially in Africa SANE and oil producing countries. On the other hand, cross border bank lending exerts a significant positive effect on economic growth of the whole African region, but its impact becomes negative once the sample is restricted to oil producing countries alone. Interestingly financial sector reforms and government consumption appears to have different effects depending on the sub-sample of the countries under analysis. For non oil producers having a slim and efficient government as well as launching financial sector reforms seems to foster economic growth.

In the case of oil rich producing countries, instead, increased government spending appears to enhance economic growth' while financial sector reforms have not impacted on it. Consistent with the existing literature, trade openness and inflation are found to have respectively a positive and negative impact on all African countries economic growth.

Martinez,-Diaz ,L (2007), further said that from a policy perspective, Africa countries overall should continue their effort in creating a proper investment environment in order to continue to attract direct foreign investment that appears to have the potential to help Africa to overcome the current growth impasse caused by the global financial crisis.

Moreover, there is a need for African non-oil producing countries to make an effort to undertake more financial sector reforms especially in order to offset in the long run the potential for negative effects the cross border bank lending might have on economic growth. Adequate fiscal and monetary policies should also continue to be the rule rather than the exception in order to keep at healthy levels.

Onoh, J.K (1992) in his book on 'Money and Banking in Africa' states that while it is appreciated that African countries need to continue with a strategy of reducing financial repression, restoring bank solvency, and improving financial infrastructure, it is now acknowledged that in some cases African countries have moved too fast to improve balance sheets and recapitalize banks in an environment where the main borrowers (the government and public enterprises) are financially distressed and the institutional capacity is weak.

In devising financial reforms in some African countries, there appears to have been perhaps too much emphasis on quick fixes, an overestimation of the benefits of restructuring bank balance sheets and recapitalization, and an underestimation of the time it takes to improve the financial infrastructure in an environment where the major borrowers are from the public sector and the institutional capacity is weak.

2.4 Theoretical model

The literature shows that economic liberalization is the theoretical model. In general this theoretical model enhances total economic welfare and make societies better off since there will be fewer government regulations and limited restrictions in the economy in exchange for greater participation of the private sector. Thus economies with liberal economic policies are doing better in terms of economic growth, export performance, productivity, capital inflow, and employment creation and remain competitive in attracting and retaining both domestic and foreign investments.

The three major elements of recent economic liberalization are: trade liberalization, financial liberalization and privatisation.

2.4.1 Trade Liberalization

Trade liberalization loosely defined as a move towards freer trade through the reduction of tariff and other barriers, is generally perceived as the major driving force behind globalization. Rapidly increasing flows of goods and services across national borders have been the most visible aspect of the increasing integration of the global economy in recent decades.

However, this has been one of the most contentious aspects of globalization. Critics of trade liberalization have blamed it for a host of ills, such as rising unemployment and wage inequality in the advanced countries; increased exploitation of workers in developing countries and a “race to the bottom” with respect to employment conditions and labour standards; the de-industrialization and marginalization of low-income countries; increasing poverty and global inequality; and degradation of the environment. These views have spread in spite of the fact that the benefits of freer trade, in terms of improved allocation of resources and consequent gains in productive efficiency and economic growth, are a basic tenet of mainstream economic analysis.

When barriers are removed, resources shift away from those inefficient sectors in which that country has no comparative advantage to the efficient sectors in which it does have a comparative advantage.

Policies that make an economy open to trade and investment with the rest of the world are needed for sustained economic growth. The evidence on this is clear. No country in recent decades has achieved economic success in terms of substantial increases in living standards of its people, without being open to the rest of world. In contrast, trade opening to direct foreign investment has been an important element in the economic success of East Asia, where the average import tariff has fallen from 30 per cent to 10 per cent over the past 20 years. Opening of their economies to the global economy has been essential in enabling many developing countries to develop competitive advantages in the manufacturing of certain products.

In these countries, defined by the World Bank as the 'new globalizers' the number of people in absolute poverty declined by over 120 million (14 per cent) between 1993 and 1998, world bank report. There is considerable evidence that more outward – oriented countries tend consistently to grow faster than ones that are in-ward looking. Indeed, one finding is that the benefits of trade liberalization can exceed the costs by more than a factor of 10, Steven, M and Tarr, D (1999).

Countries that have opened their economies in recent years including India, Vietnam and Uganda, have experienced faster growth and more poverty reduction. On average, those developing countries that lowered tariffs sharply in the 1980's grew quickly in the 1990's than those that did not. Freeing trade frequently benefits the poor especially. Developing countries can ill-afford the large implicit subsidies, often channelled to narrow privileged interests that trade protection provides. Moreover, the increased growth that results from freer trade itself tends to increase the incomes of the poor in roughly the same proportion as those of the population as a whole. New jobs are created for unskilled workers, raising them into the middle class. Overall, inequality among countries has been on the decline since 1990, reflecting more rapid economic growth in developing countries, in part the result of trade liberalization, Lindent, P and Jefferson W (2001).

2.4.2 Financial Liberalization

Financial liberalisation is defined as the dismantling of internal and external controls on capital flows. It exhibits many positive aspects, for instance: it contributes to improving global capital allocation efficiency, be it at the national or at the international level; it fosters competition on capital markets and consequently reduces the cost of capital as well as it brings about enhanced risk management and it also increases the role of market discipline for firm managers and policy makers since it raises the costs of poor governance.

While there is a consensus about these positive effects, experience has shown that financial openness modifies the balance of risks at the macroeconomic level: first, it may reduce some risks, for instance, by decreasing the correlation between investment and savings; second, it may nevertheless increase other risks: for instance, greater competition in the banking system may prompt strong credit growth with a loosening of credit standards, as domestic banks try to maintain their profits and market shares and thirdly, it may even create new risks, for instance through financial contagion, if risk appetite for emerging markets suddenly reverses, given the prominent role played by hedge funds in cross-border investments and the sudden shifts in their asset allocations.

Thus, financial liberalization primarily involves deregulation of interest rates which leads to higher levels of savings. Liberalization would also channel funds to finance more productive projects.

Therefore, an increase in real interest rates following liberalization should encourage saving and expand the supply of credit available to domestic investors, thereby enabling the economy to grow more quickly. This growth promoting effect of domestic financial sector deregulation should be enhanced by opening the capital account of the balance of payments, which would allow more foreign capital to flow into the country, attracted by higher domestic real interest rates. While increases in real interest rates have often been the outcome of liberalization episodes, their impact on domestic saving and investment has been mixed, Reinhart C and Ioannis, T (2008) and Galbis, V (1993).

2.4.3 Privatization

The privatization of State-owned enterprises, including utilities, is another central component of adjustment policies for developing countries. Privatization is often a crucial requirement for securing aid funding, and is a key policy of Poverty Reduction Strategy Papers (PRSPs) worldwide. The World Bank continues to link privatization to poverty reduction in most countries.

The rationale for privatization is rooted in public choice theory which predicts that privatization spurs development of the private sector, facilitates economic growth and hence reduces poverty. Privatization is supposed to improve the efficiency of enterprises by focusing on financial performance through better resource allocation and improved efficiency.

This phenomenon is expected to allow governments to spend more on services for the poor. It could increase private investment in a sector, but whether this leads to output and welfare benefits depends on competition, among other factors. It could signal government support for the private sector. However, for many developing countries (for example, countries in sub-Saharan Africa), lack of investor interest has been a common feature of privatization, with Governments offering increasing concessions to entice investors to acquire their assets—often to meet the requirements of donors and creditors, Bayliss, K (2003).

.2.5 Importance of Theoretical Model

As a country emerging from war, economic liberalization is a fundamental principle to facilitate economic growth as it opens up opportunities for all and increases inclusiveness which in turn reduces the risk of return to hostilities. In such a post conflict environment everything seems to be needed at once but economic liberalization activities will re-establish economic governance, boost employment , improve economic and social well being of the populace, stabilize the economy and position it to grow rapidly through the influx of FDI and to some extent addresses the root economic issues that caused the conflict. Removing critical barriers to economic growth and barriers that affect the informal sector and structured in a way that offers the greatest immediate benefits in an equitable manner is very essential.

The priority therefore is for the country to commission short –term effective programs to stimulate economic activity and create jobs. Thus an economic liberalization intervention is a strategic intervention that helps prevent the risk of a return to conflict.

2.6 Summary of Literature review

In summary of the literature review foreign direct investment is viewed as a major stimulus to economic growth in developing countries. Its perceived ability to deal with major obstacles such as shortages of financial resources, technology and skills transfer, employment creation and improvement in standard of living makes its intervention very important to developing countries. Thus it has become a centre of attraction for policy makers in developing countries such as Africa.

However inflow of FDI into Africa has been low when compared to other regions of the world. The reasons for this low inflow into Africa are many but includes: relatively small market size, lack of policies, lack of profit opportunities, inconsistent setups, negative perception, shortage of skills labour regulations, poor infrastructure, corruption, civil unrest starvation, and economic disorder.

The contribution that FDI can make to their economic development and integration into the world economy is widely recognized. For this reason, African countries have made considerable efforts over the past decade to improve their investment climate. They have liberalized their investment regulations and have offered incentives to foreign investors. As a result, the economic performance of the region had substantially improved from the mid-1990s. However, the expected surge of FDI into Africa as a whole has not occurred. Too often, potential investors discount the African continent as a location for investment because a negative image of the region as a whole conceals the complex diversity of economic performance and the existence of investment opportunities in individual countries.

While the problems many African countries face are widely known and dominate the perceptions of the continent as a whole, there are a number of positive aspects that, although highly relevant for foreign investors, are little known.

Most African countries have substantially improved their FDI framework, and a number of them have already attracted significant amounts of FDI, in absolute or relative terms, or both, from an increasing number of home countries, including developing countries.

In addition, FDI in Africa is no longer concentrated in the traditional natural resources sector, but also manufacturing and services industries have received considerable amounts of FDI in recent years. It has proven to be highly profitable and fairly consistently so over time. The need to look at Africa country by country, sector by sector, and opportunity by opportunity cannot be overemphasised. As in other continents, there are profitable investment opportunities to be found.

Foreign Direct Investment can take the form of either “Greenfield” investment or merger and acquisition (M&A) depending on whether the investment involves mainly newly created assets or just transfer from local to foreign companies. In sub Saharan Africa majority of the investments are “Greenfield “and as such requires fresh capital inflow into the economy which will create jobs, transfer of skills and management styles. However, most investors still believe that macroeconomic stability, investment restrictions, corruption and political stability have negative impact on foreign direct investment (FDI) in Africa. Regrettably the relationship between FDI and the country characteristics have not been studied.

It is generally accepted that market size and access to natural resources are crucial determinants in investors’ decision process. Not surprisingly, the African countries that have been able to attract most FDI have been those with the largest tangible assets such as natural and mineral resources as well as large domestic markets. The role of market size can be further evidenced by the almost perfect positive correlation between FDI inflows and GDP growth. The role of natural resources in the location decision of investors is apparent through the sectoral allocation of FDI inflows within the region. Traditionally, about 60 per cent of FDI in Africa is allocated to oil and natural resources (UNCTAD, report 1999).

All African countries are keen on attracting FDI to help solve their socio economic problems facing their countries. Most have been desperate in finding solutions. Some of these problems are; to overcome scarcity of resources such as capital, entrepreneurship, access to foreign markets, efficient managerial techniques, technological transfer and innovation, and employment.

In their attempts to achieve this objective policies are designed and implemented; new institutions are being created, incentive packages are offered, economic and trade reforms implemented, signing of bilateral agreements, investment promotion activities initiated and various other contracts are signed. Regulatory frameworks have been improved to open economies, permit the repatriation of profits and tax holidays.

Unfortunately the benefits of all this effort is yet to be measured but it will differ from sector to sector depending on the capabilities of workers ,size of companies, level of investment and the level of competitiveness of domestic industries.

More and more countries are engaging in proactive policies to attract FDI by the establishing of investment promotion agencies (IPA). IPA function covers a range of activities including investment generation, investment facilitation, and aftercare service and policy advocacy to enhance competitiveness of the country. Furthermore most countries particularly in Africa still suffer from negative image and investment promotion agencies also have this marketing function of changing or modifying investor's perception of the country by various activities.

Foreign direct investment (FDI) as a development tool has its benefits and risks and will only lead to economic growth in the host country under certain conditions. It is the responsibility of the individual governments to ensure that the right political and macroeconomic conditions are created so that FDI can contribute to the development goals rather than just generating profits for the foreign investors.

Telecoms liberalization has brought more FDI inflow into African countries with, better and innovative communication services, job growth, and entirely new ways to communicate - mobile and wireless. The economic benefits of telecoms liberalization are clear, but the social benefits of better communications go much further. The challenge has been to ensure that the process contributes to the furtherance of socio economic development in societies.

The goal of furthering economic growth in the national market place and the desire to attract investment in the telecoms infrastructure has become the catalyst for governments to start the telecommunication liberalization process.

The fundamental need is for policies to be developed and foster choices in the marketplace for mass market and business users of services. Different markets have different needs, requiring different solutions to develop and foster such choice, but all markets should strive for the existence of competition among the diverse platforms that are increasingly available and the effective implementation of regulations creating an enabling environment.

Good telecoms infrastructure can facilitate overall economic growth where it is needed the most. Studies have shown that developing countries with higher levels of connectivity significantly out-performed others during the 1980s and 1990s. Improvements in telecommunications infrastructure result in better trade and market opportunities, reduced unemployment, improved health care delivery and higher quality of life. The greatest economic and employment benefits, and growth opportunities, are achieved when improved communications are extensive.

Telecommunications is a capital intensive industry and access to capital is paramount to ensuring the deployment and expansion of a robust network. Countries that have eliminated barriers to FDI have benefited from greater commitment and longer-term engagement by foreign investors as well as new management approaches, technology, and skills transfer to the host country.

The opening of the banking sector in any economy should be guided by policies to ensure that it brings real benefits to the economy. Therefore host country government should consider four policy issues – impact on bank performance and governance, impact on lending patterns, impact on financial stability and impact on liberalization. Thus financial liberalization trend is an attempt to reduce the direct control of the economy by regulatory authorities and to allow market forces to freely determine interest rates.

This is because an efficient financial sector ensures both a better financing of and a better protection for the economy. Whilst on the one hand, it ensures a better financing of the economy by broadening the investor base and enhancing their ability to make use of diversified financial instruments. On the other hand, an efficient and developed financial sector offers better protection for the economy against the risks of a capital account crisis.

A lasting benefit of FDI in the financial sector of an emerging market is the effects on the financial sector efficiency, due to the generally associated technology transfers and innovations in products and processes. In addition to their lower volatility, this is one more reason why attracting long-term capital flows, such as FDIs, seems preferable to catching short-term flows.

In summary this chapter gives an overview from selected literature on FDI inflow into Africa and its contribution to economic growth and the reliance on governments on FDI to support strategic development projects. It deals with the inflow of FDI as a result of the liberalization of telecoms and banking sectors and the benefits it brings to the economy and the social structures of the research location. The theoretical basis of economic liberalization and appropriate reforms and benefits will also be established.

Chapter 3

Research Method

3.1 Introduction

Research is an exciting adventure which if properly carried out adds richly to the student experience ,to academic prestige, and to the society through the knowledge it creates which could be applied in solving problems and in other services, Nenty, J.H (1990).

Adams .J, et al (2007), said that research is undertaken in order to enhance our knowledge of what we already know; to extend our knowledge about aspects of the present world of which we know either very little or nothing at all and to enable us to better understand the world we live in. Research is conducted for a number of reasons, which depends on the nature and objectives of the problem. It may be conducted to increase and/or enhance our understanding of phenomenon that we already know something about.

Research is a systematic, objective collection and analysis of data about a particular target market, specific subject, competition and the environment. It always incorporates some form of data collection whether be it secondary market research (often referred to as desk research) or primary market research which is a collection of data direct from respondents. It is either quantitative or qualitative or a combination of both. Each of these methods provides different insight into customer behaviour. Normally research results are more reliable when these two methods are combined. Therefore, both quantitative and qualitative researches are used in the conduct of this study.

Qualitative analysis results in a different type of knowledge than does quantitative inquiry because one party argues from the underlying philosophical nature of each paradigm, enjoying detailed interviewing and the other focuses on the apparent compatibility of the research methods, "enjoying the rewards of both numbers and words", Glesne, C., & Peshkin, P (1992).

This means such methods like interviews and observations are dominant in the naturalist (interpretive) paradigm and supplementary in the positive paradigm, where the use of survey serves in opposite order.

It is always very important for researchers to test and demonstrate that their studies are credible. Credibility in quantitative research depends on instrument construction whilst in qualitative research, “the researcher is the instrument”, Patton, M.Q, (2002). Thus it seems that in quantitative research validity and reliability means a research that is credible while in qualitative research it depends on the ability and effort of the researcher. Although reliability and validity are treated separately in quantitative studies, these terms are not viewed separately in qualitative research. Instead, terminology that encompasses both, such as credibility, transferability, and trustworthiness is used. Further there can be no validity without reliability because a demonstration of the former (validity) is sufficient to establish the latter (reliability).

In this study therefore, these two factors of reliability and validity are kept in constant focus in the designing of the research, conduct of the research and in the analysis of the results.

A Pilot study was conducted, interviewers certified, quality control checks conducted, accuracy of measurements double checked, and accurate and correct transcribing of focus group discussions done and approved statistical methods were used in the analysis.

3.2 Research Methods

The following research methods are used:

- Quantitative Method
- Qualitative Method
- Secondary data collection

3.2.1 Quantitative Method

To illustrate the meaning of quantitative research for its use of explaining social problems, Bogdan, R.C, and Biklen,S.K (1998) note:

“Charts and graphs illustrate the results of the research, and commentators employ words such as ‘variables’, ‘population’ and ‘result’ as part of their daily vocabulary Even if we do not always know just what all the terms mean... we know that it is part of a process of doing research. Research, then as it comes to be known publicly, is a synonym for quantitative research”.

Bogdan, R.C, and Biklen, S.K (1998) further noted that quantitative research allows for the researcher to be familiar with the problem and perhaps generate hypotheses to be tested. In this paradigm the emphasis is on facts and causes of behaviour.

This research technique is used to gather information in the form of numbers that can be quantified, summarized and subjected to a mathematical process and the final result is expressed in statistical terminologies.

There are several ways of gathering information for quantitative research, namely:

- Face-to-face interview
- Telephone interviewing
- Postal and self –completion market research
- Omnibus market research surveys
- Online/internet research

In this study face-to- face interview are conducted across the respondents. This was done through the use of structured questionnaire with questions pertaining to the social and economic outcome of the investments in the telecommunication and banking sectors. All the data collected are subjected to statistical treatment to generate tables, graphs and other relevant charts to be used to present and interpret the results of the research.

3.2.2 Qualitative Method

Qualitative research, broadly defined means "any kind of research that produces findings not arrived at by means of quantification" (Stauss, A and Corbin, J (1990) and instead, the kind of research that produces findings arrived from real –world settings where the "phenomenon of interest unfold naturally", Patton, M.Q (2002).

Unlike quantitative research where causal determination, prediction and generalization of findings are the objectives, qualitative research seek instead illumination, understanding and extrapolation of similar situations, Hoepfl, M.C (1997). Common methods of gathering qualitative information are:

- Participant observation
- Non-participants observation
- Field notes
- Structured interview
- Semi-structured interview
- Unstructured interview

This method of research explores attitudes, behaviour and experiences through such methods as interviews or focus group discussions. It gathers an in-depth understanding of human behaviour and the reasons that justify such behaviour. Some of the most distinctive qualitative methods used in this study are the focus group and key informant interviews.

Focus group discussion is a group interview that brings out many points of view as possible. Participants are allowed to say anything they like in the session under the guidance of a moderator using a structured format. Focus group therefore is considered to be naturalistic, Krueger, R.A and Casey, M.A., (2000). It does provide trustworthy naturalistic data that also lead to important insights about human behaviour, but they aren't set up to generalize in the same way as qualitative research. This group discussion comprises a group of about 10-12 people (or more as the case may be) with similar characteristics in a single session. To get a cross section of views from a diverse population multiple sessions should be conducted. Arguably, it provides a lot of information than other types of research.

3.2.3 Secondary Data Collection

Such set of data are used as supplement to other data collected by other methods and are often used to validate samples. The benefits of using secondary data are: savings in terms of resources because the data is already available, use of national data compiled by professionals, substantial reliable corporate data, and data based on large representative samples. Secondary data are facts not opinion. There is a great deal of useful secondary data available from libraries, textbooks, websites, corporate institutions annual reports, bulletins, government department publications and National Statistics offices.

In this study such data are compiled from the National Statistics office, related corporate institutions, the central bank of Sierra Leone, the economic policy & research unit, websites and government ministries and agencies.

3.3 Demographic Literature Review

In 2004, the national population and housing census of Sierra Leone established that the total number of persons distributed amongst the Eastern, Northern, Southern and Western regions of the country amounted to 4,976,871. The population was found to be relatively young with 41.7 % aged between 0-14 years, 53.9% aged 15-64years and only 4.4% aged above 65years.

The population growth projections for 2009 was estimated to be 5,607,930 persons of which 2,864,370 are female and 2,743,560 are male with an urban population of 2,221,331 and a rural population of 3,386,599 persons, Statistics Sierra Leone,(2006). The country's regional population split based on the estimated projection of 5,607,930 persons is as shown:

- Western Region - 1,159,629
- Northern Region- 1,905,924
- Southern Region - 1,272,884
- Eastern Region - 1,269,493
- TOTAL - 5,607,930**

In the telecommunication sector the total numbers of companies in country are four including the national carrier which does not operate a mobile telephony facility.

The other three companies are FDI investment in the mobile sector with a total number of 2,300,000 subscribers of which about 2,198,000 are active users. Based on available data the estimated total number of active subscribers in the western area is 1,106,000.

On the other hand the number of incorporated banks in country is 13 with a total of 92 outlets nationwide and accounting for 350,000 account holders. The outlet split shows that 54 of these outlets are in the western area.

This study therefore concentrates on collecting data from mainly the western area.

3.4 Sample Collection.

Choosing the study sample is a very important step in this research and for that matter in any research. The sample size is influenced by a number of factors, including the purpose of the study, population size, the risk of selecting a “bad sample”, and the allowable sampling error.

In addition to the purpose of the study and population size, three criteria usually needs to be specified to determine the appropriate sample size: the level of precision, the level of confidence or risk and the degree of variability in the attributes, Miaoulis, G and Michener, R.D,(1976). If the maximum variability (p) is 0.5 with a confidence limit of 95% and a precision level of $\pm 10\%$, then the sample size of 100 respondents is reasonable.

In pursuance of the objectives of this study the sample size of respondents is 100 (exclusive of 10 pilot study sample) and the profile of the respondents varies across a reasonable spread of occupations and professions.

3.5 Pilot Study

Pilot studies are used in two different ways in social science research. Pilot studies can refer to feasibility studies which are small scale versions or trial runs done in preparation of a major study.

One advantage of this exercise is that it might give advance warning about possible problems to be encountered in the main research and also indicate where the research protocol may not be followed or whether the proposed methods or instruments are inappropriate or too complicated.

Pilot studies are a crucial element of a good study. In this study 10 pilot quantitative interviews are conducted using the same profile of respondents for the research work. The results are used mainly to confirm whether the research protocol is realistic and workable, identifying any logistical problems and resources needed and assessing the proposed data analysis techniques to uncover potential problems. It also helps in the fine tuning the research questionnaire.

3.6 Questionnaire Design

The questionnaire is designed with the aim of finding out how the investments in the telecommunication and banking sectors have impacted socially and economically on the lives of Sierra Leoneans. There are three types of questions in the questionnaire: closed ended questions, attitude/perception questions and opened questions.

In the telecommunication sector questionnaire it contains a section on general information with eight questions and nine categories of twenty-five questions concerning:

- Source of income
- House hold profile including infrastructure and house hold mobile ownership
- Available means of communication
- Mobile phone ownership
- Maintenance cost and mode of usage
- Influence of mobile phone on social & economic issues
- Effect of mobile phone ownership
- Importance of mobile phone and effect on communities
- Priority statistics in terms of spending and quality of service

In the banking sector questionnaire it contains the same general information section of eight questions and seven categories of twenty questions concerning:

- Source of income
- Banks and banking services
- Services usage
- Benefits of the opening of the sector
- Banking support facilities
- Customer care and customisation of products for the community
- Interest rates

3.7 Sample Design and Profile of Respondents

- **Sample Size**-100 respondents
- **Categories**- Working Class/Professionals (25%)
 - Business Houses/SME's (20%)
 - Corporate Institutions staff (20%)
 - Common Users (35%)
- **Working Class/Professionals (25%) include:**
 - Doctors, lecturers, teachers, lawyers, drivers, engineers, religious leaders, soldiers, police, civil servants, and nurses
- **Business Houses/SME's (20%) include:**
 - Self employed, factory workers, printing houses, advertising agencies, media houses, internet cafe owners, restaurant owners, hair and barbering saloons, journalists, convenient outlets, supermarkets and grocery stores
- **Corporate Institutions (20%) include:**
 - Breweries, insurance ,banks, IT , mobile , courier, car sales manufacturing, NGO's , Parastatals

- **Common Users(35%) include:**

- Students, retailers, traders, transporters, petrol station attendants, contract workers, unemployed, security guards, mechanics, hawkers, taxi drivers, receptionists, housewives, office messenger.

In summary this chapter describes the research methods used in this study. Namely combinations of quantitative and qualitative research methods are used. This ensures that all relevant data are collected and are available for analysis to give credence to the reliability and validity of the findings of the study. A small section titled demographic literature review is included to give a profile of the population spread in the country. The sample size, sample collection methods, the sample design and the profile of respondents are also included.

Chapter 4

Data Analysis

4.1 Introduction

This study has drawn on a combination of quantitative research method (structured questionnaire) and qualitative research method (focus group) to establish the social and economic impact of FDI investments in the banking and telecoms sectors throughout western area of Sierra Leone.

Given the aims and objectives of the study the following are the research concerns that needed to be addressed.

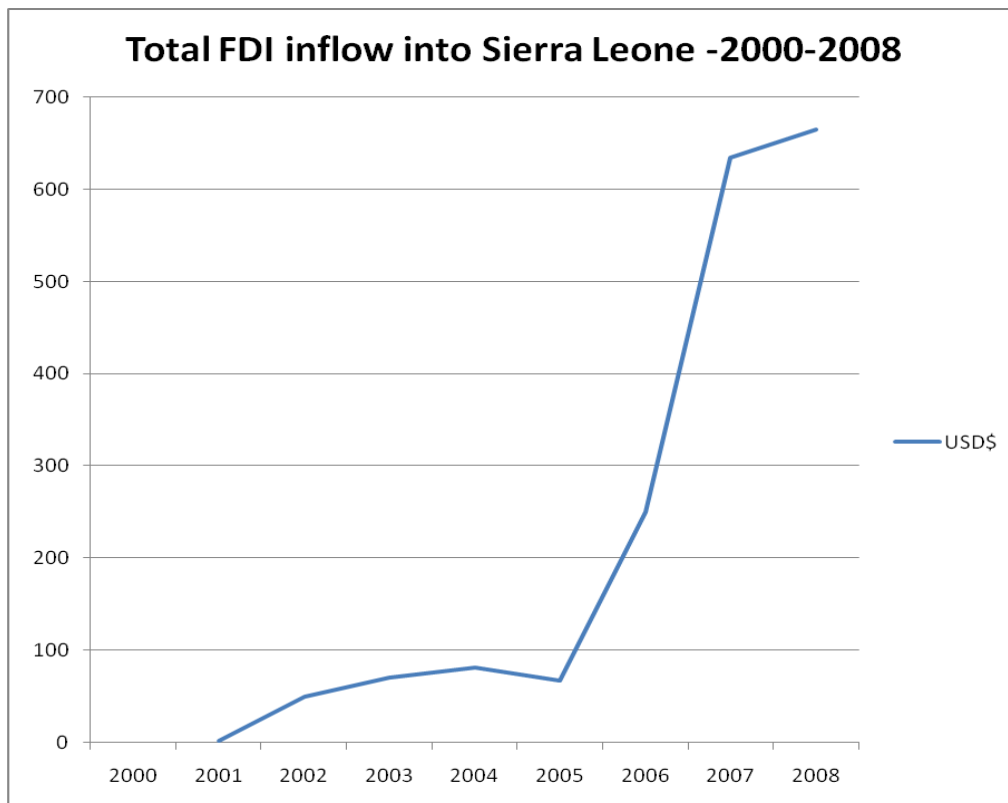
- To establish the social benefits of FDI investment in the banking sector in terms creation of jobs, access to finance and poverty reduction.
- To determine the economic benefits of FDI investment in the banking sector and its contribution to economic growth.
- To determine the social effects of FDI investment in the telecoms sector specifically for mobile telephony and its impact on living standard.
- To establish the economic impact of FDI investment in the telecoms sector specifically for mobile phone.
- To analyze the supply chain flow and policies of a new entrant bank and a telecoms company.

The primary data collected through the structured questionnaire were analyzed using the PASW statistics 18 SPSS Software and the focus group discussions were recorded and contents transcribed. Secondary data were collected from the central bank, Statistic Sierra Leone, Economic Policy Review Unit, Airtel Sierra Leone Limited (telecoms Operator) and Access bank (new FDI investments in the banking sector).

4.2 FDI inflow into Sierra Leone

The FDI inflow into the country has shown an upward trend since the year 2002. This growth is partly due to good governance and the government's decision to liberalize the economy. FDI inflow had been rising strongly since 2002, reaching USD660 million over 2008, recording the highest historical level for FDI inflow. The considerable reforms on the investment climate of the country have helped the country to attract investors. **Figure 4.1**

Figure 4.1 -Total FDI inflow into Sierra Leone 2000 – 2008



During the period 2000-2005 FDI averaged \$45 million a year, but in 2006 it reached \$250 million and has increased ever since. As a percentage of GDP, FDI in the country has been strong relative to neighboring countries, at 4.9% in 2005 and averaging above 4.0% from 2000-2005. Figures for 2006 to 2008 averaged 5.5%.

4.3 Profile of Respondents

The general information of the study population was configured in terms of gender, age, income, educational status, and employment status. It is expected these information will provide the general characteristics of the group that participates in the banking industry and those that own use mobile telephone. A total of 100 respondents were interviewed (40 for banking sector) and (60 for telecoms sector).

The gender split the respondents comprise 57.5% male and 42.5% female for the banking sector and 63.3% male and 36.7% female for the telecoms sector .

In terms of age profile, the age group of 18-40 years(age groups 18-28 and 29-39) who form the young generation and opinion leaders constitutes the cohort that mostly uses banking services and they are also the owners and users of mobile phones. This profile of respondents is a good basis for the future growth of the service industry and for sustainable economic growth.

Source of income was analyzed on the two broad categories of employees and self-employed. Most of the respondents have benefited from polytechnic and tertiary education which is an indicator of an improvement in the literacy rate and a guarantee of the availability of trained minds for employment as the country continues to attract investors.

4.4 Gender based attitudes –Banking Sector

The analysis showed a 40% of respondents preferred Sierra Leonean owned banks followed by 20% preference for Nigerian banks. Of this split, 22.5% are male as against 17.5% of female. This incidence can be attributed to the location of the study, the result of increased literacy and the benefits of tertiary education. **Figure 4.2** On average women's earnings are less than those of their male counterparts, although with college-educated women that gap is closing. Some of the differences between men and women attitude can be attributed to role perceptions. Although this difference is not significant it can be attributed to the modern concept were both husband and wife share responsibilities, of work and of financial decision making for the family.

In terms of reasons for choice of bank, it was found that both male and female were more concerned about safety of funds and convenient location.

The safety of funds was the main criterion for choosing a bank followed by highest interest rates on savings, convenient location, bank's reputation, and efficient service. **Figure 4.3**

Significant gender attitude difference is found in financial behaviour in the use of the services offered by banks. Female are found to be more conservative investors than male, less willing to commit their savings over long period of time and less likely than male to participate in the use of the wide range of services offered by the banks. **Figure 4.4**

Male respondents truly appreciated the benefits and effects of the opening of the banking sector in the country as it has created competition and jobs and at the same time contributed to economic development in terms of capital inflow. Businesses have benefitted from the provision of financial needs with a wide variety of options. **Figure 4.5 & 4.6**

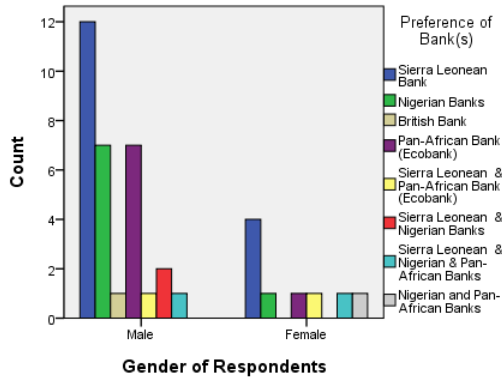
In the area of innovative banking services participation is dominated by males as female are careful about its reliability. **Figure 4.7** Female were also found to differ from male in their reasons for saving and borrowing and interest rates was a concern for the female respondents. **Figure 4.8 & 4.9**

In a significant number of circumstances there does not exist any difference between male and female attitudes. The study found out that customer care has suddenly become a high priority for all banks because of the increased competition. The focus is now on the reduction of transaction time, prompt and efficient service and the avoidance of excessive bureaucracy.

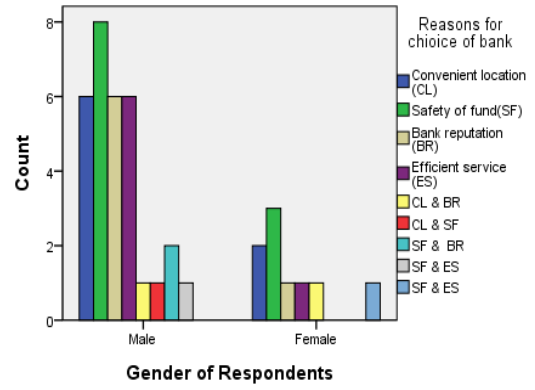
A general consensus is that the opening of the banking sector to FDI investors has created unparallel competition, improved productivity, created job opportunities and has contributed to economic development by the inflow of capital.

Figures

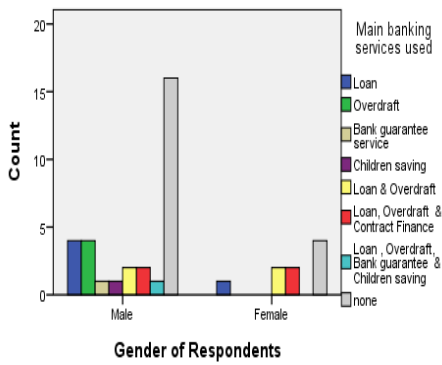
4.2



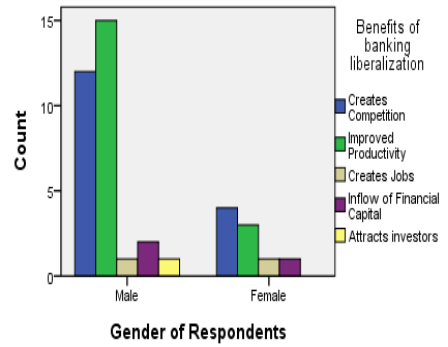
4.3



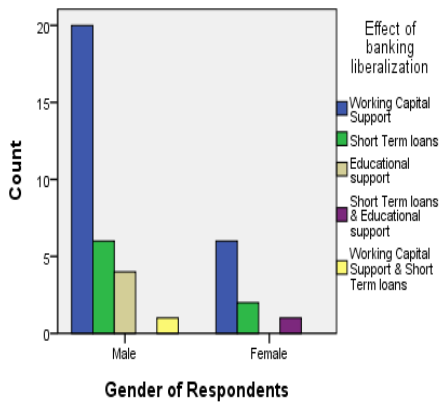
4.4



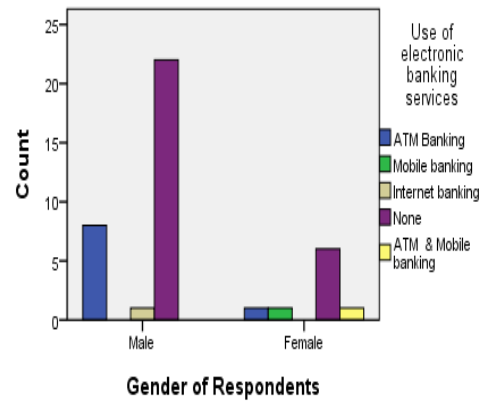
4.5



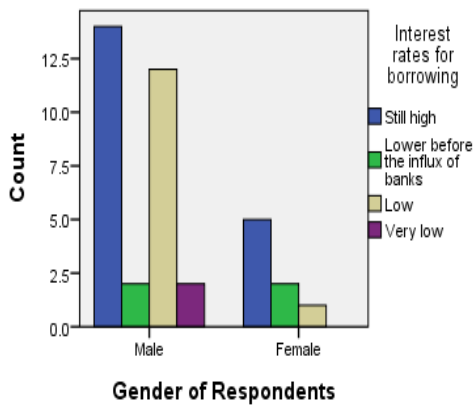
4.6



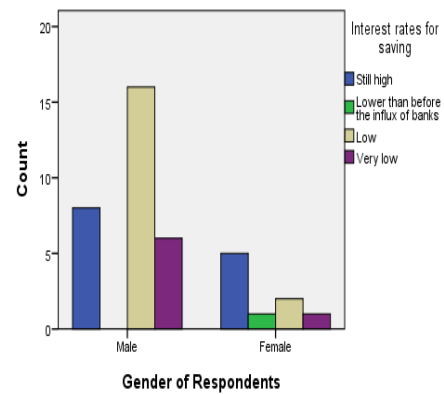
4.7



4.8



4.9



4.5 Gender based attitudes- Telecoms Sector

Generally more males are found to be owners of mobile phones but with the drop in the price of mobile phones and the booming second-hand handset market, mobile phone ownership appears to have eroded the gender divide. **Figure 4.10** In western area urban, there are no significant differences between male and female ownership, despite income differences. However, in the western area rural, male are more likely to own and have access to phones than female. This could be attributed to a number of factors, namely, illiteracy, cultural barriers, low buying power and the age structure of inhabitants in rural areas as opposed to urban areas. There are older people than youngsters in rural areas.

Because of the infrastructural challenges in the environment mobile telephone calls are the most common and frequently used means of communication. Other means of communication are SMS text messaging and internet. **Figure 4.11**

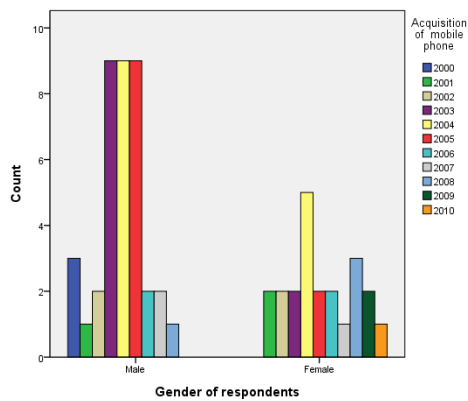
Male and female respondents agreed that their main reasons for buying a mobile phone are to communicate with friends and family and to conduct business activities. In middle to high income urban areas, female have the same attitude to phones as their male counterpart. In rural areas, the trend is quite different. Most young, single women confirm receiving their phones as gifts from their lovers. Senior female executives and young female graduates buy their own phones and prefer new phones because of reliability. **Figure 4.12**

Male and female in middle to high income urban areas tend to own more than one mobile handset while in rural areas, owning one phone is enough. The reasons for having two mobile phones are because of network reliability, tariff of different operators, interconnection costs and to take advantage of operator specials. In order to make sure you are reachable at any time, you need to subscribe to at least two operators. The daily call profile of male and female show significant difference as male are more focus on business calls as oppose to female who are focused on communication with friends and family members except for executives.

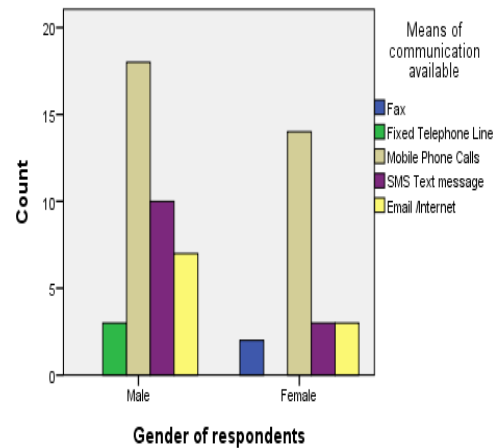
In terms of the benefits of owning a mobile phone male respondents believes that it increases business profitability and improves living standard while the females are of the opinion that it has brought family closer and has increased association. **Figure 4.13**

Figures

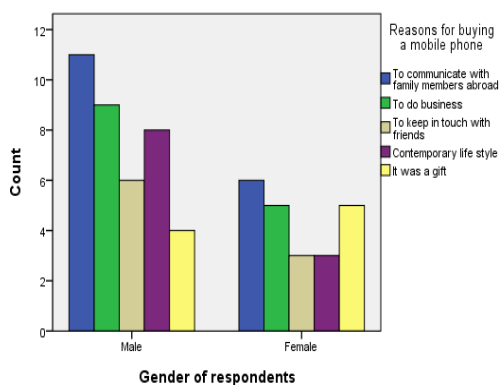
4.10



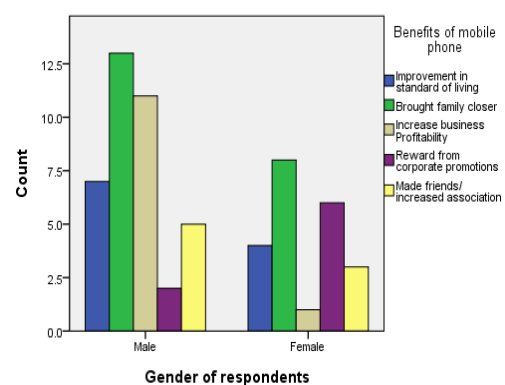
4.11



4.12



4.13



4.6 The influence of age on the attitudes - Banking Sector

In the study a 97.5% of the respondents use a bank and 52.5 % are between the age of 18-40 years and 45% were above 40 years. In total 40% respondents prefers to bank with Sierra Leonean owned bank and of this representation 17.5% are between the age 18-40 years and 22.5 % are above 40 years. In comparison 15% between the ages of 18-40 do business with Nigerian banks and only 5% above age 40 deals with Nigeria banks. **Figure 4.14**

Of all the main banking services available the 18-40 group use loan facility more than the older generation although the difference and the same behaviour is manifested for overdraft. All age range were aware of the liberalization of the banking sector namely because of the increased jobs, the visible infrastructure improvement and the financial opportunities available. **Figure 4.15**

The young generation of were found to be operating two common accounts – personal and business. This is regarded as a vogue as most employees are engaged in business activities to be able to generate additional income. The age group 18-40 uses safety of funds as the paramount factor in determining choice of banks whilst those above 40 years consider both safety of funds and convenient location as the two key factors. **Figure 4.16 & 4.17** A silence factor for choice of banks is availability of required service, flexibility and the option to negotiate terms and conditions.

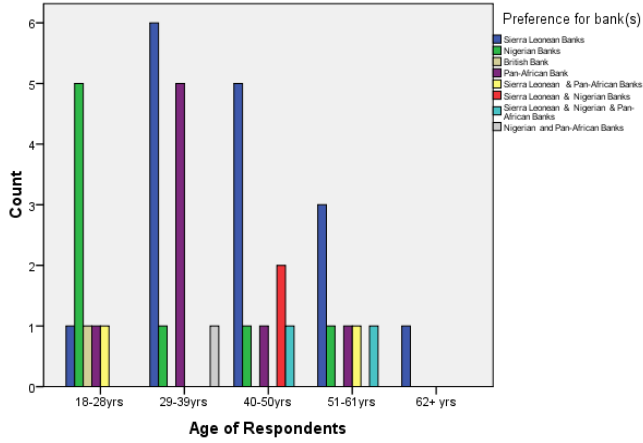
Those in the age group of 18-40 are significantly convinced that the major benefits of this liberalization are the creation of competition and jobs while those above 40 are of the opinion that the benefits are creating jobs and improving productivity are the two most valuable consequences. However together these views important to socio economic impact. **Figure 4.18**

Aside of these benefits the effect of liberalization on the economy and on business was assessed and the age group 18-40 believes that access to finance by way of the provision of working capital and short term loan for businesses were key ingredients in the economy and thus impacted on economic growth significantly. **Figure 4.19** Given the environment there are perceived risks in a liberalized economy. However, age group members 18-40 yrs who are expected to be more open minded confirms this by affirming that there are no visible risks in a liberalized economy while age group above 40years are concerned about money laundering and the trafficking of cash across borders. Risks perception varies widely.

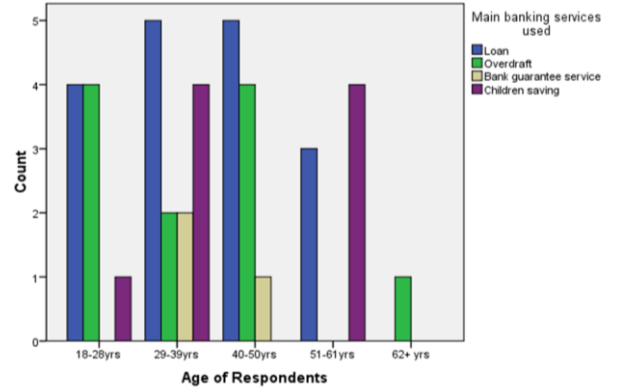
The younger generations 18-40years who are more contemporary are aware of the available electronic services but over 40% do not use this service. Minimal use is made of ATM's. **Figure 4.20**

Figures

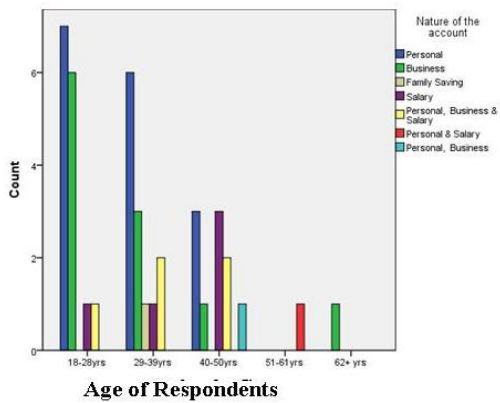
4.14



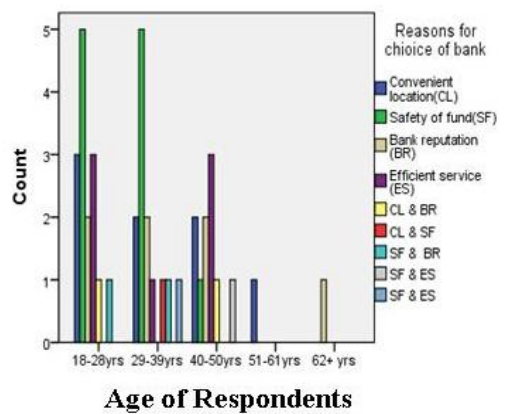
4.15



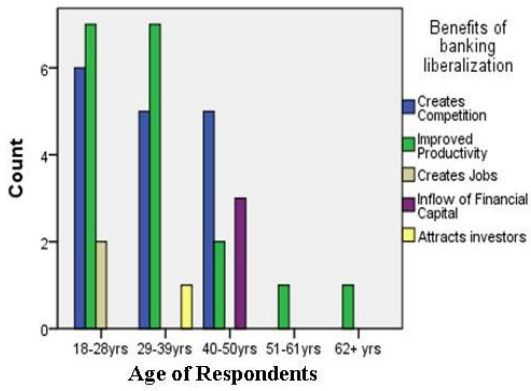
4.16



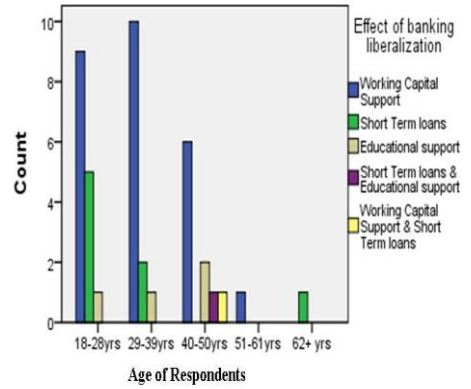
4.17



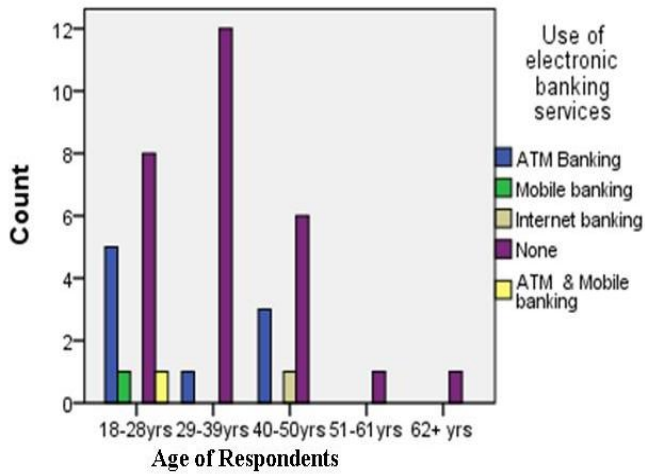
4.18



4.19



4.20



4.7 The influence of age on the attitudes - Telecoms Sector

For the effectiveness of the telecoms sector in any environment basic household infrastructure are necessary. In the study the age group 18-40 population is concerned about the poor supply of electricity as it makes recharging difficult.

70 % of the respondents are convinced that mobile phone is the most widely used means of communication. 51.7% represents the age group 18-40 and show a significant difference over the age group above 40 years with the claim that mobile phone calls and SMS are the main available means of communication. The incidence of email communication is small and is prevalent amongst the 18-40 age groups. **Figure 4.21** Most people are convinced that the benefits of mobile phone far outweigh the cost and are willing to forgo other needs to own a mobile phone.

Figure 4.22

Mobile phone is considered as very important in the lives of the respondents of the study and extension in the entire population in the western area. Artisanal workers, technicians and other one-man businesses use their mobile phones as their office and do their business with this tool. Traders, farmers and other business people also use this tool to replenish stock, negotiate prices and conduct cross regional trading activities. **Figure 4.23**

In terms of daily call profile of respondents most of their airtime is spent on business and official calls and keeping in touch with friends and family at home and abroad. However the time spent by respondents in the age group between 18-40 years keeping on touch with friends and family is far greater. The younger generation has what can be called volume spend while those above 40 years can boast of 'real' spend. **Figure 4.24**

The most important contribution is the fact that it has replaced fixed telephone lines and has ultimately brought communication at the fingertips of everyone. **Figure 4.25**

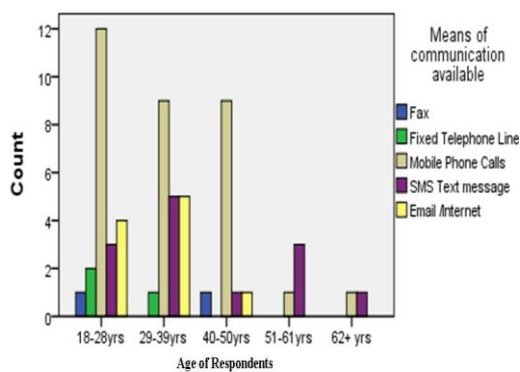
Above all mobile phone is part of contemporary life style and has virtually endless benefits to owners and users and has contributed immensely to the improvement in living standard. **Figure 4.26**

All age groups give the same reasons for buying a phone as it is believed that it is mainly to communicate with friends and family and to do business. Mobile phone has been a useful tool to keep in touch with Diaspora family members and to facilitate remittances in support of family members back home.

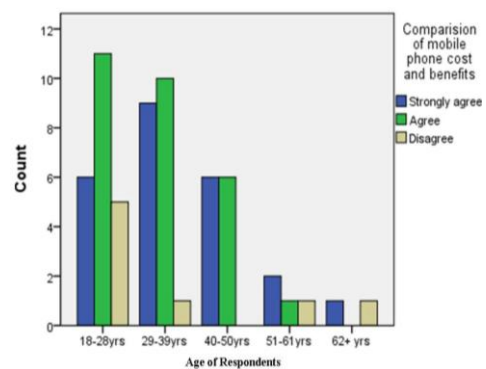
This objective caused the growth of ownership to increase at a tremendous rate, as parents use this means of communication to talk to their children to solicit financial and other support. **Figure 4.27**

Figures

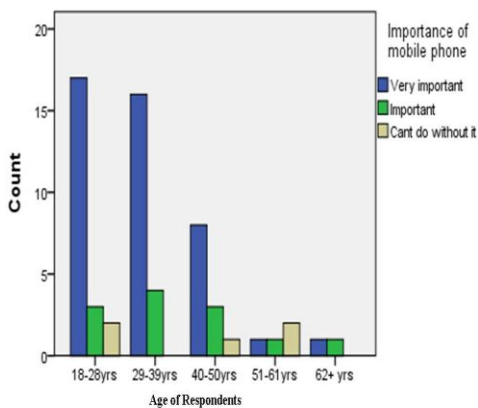
4.21



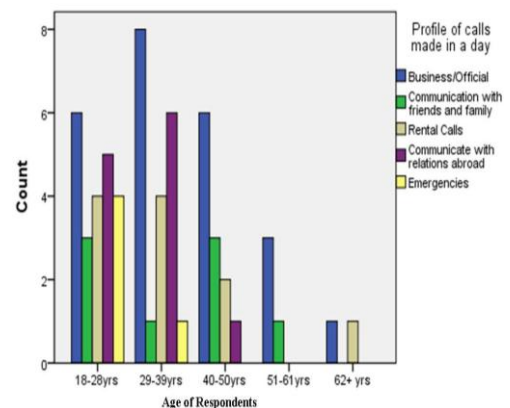
4.22



4.23

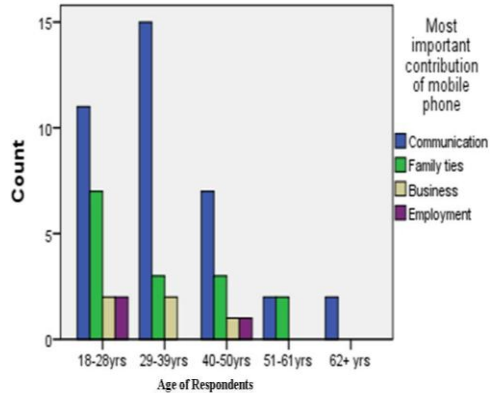


4.24

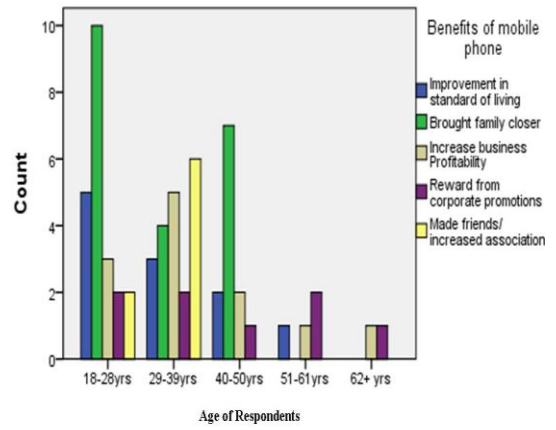


Figures

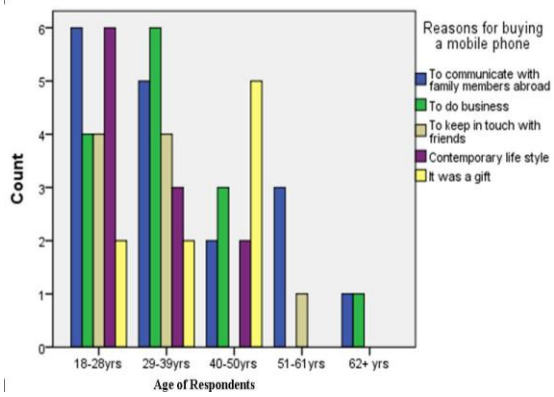
4.25



4.26



4.27

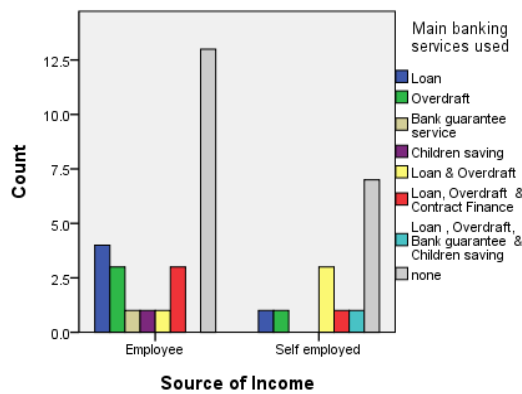


4.8 Source of income and attitudes to banking services

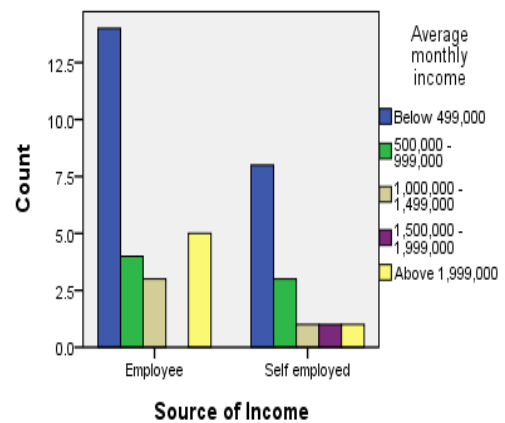
Principally income is derived from employment or from business activities. The study shows that over 66% of respondents are in employment whilst the remaining 34% are self employed. Unfortunately even though unemployment is high in the country, the study did not capture any unemployed respondent. Both employed and the self employed are participating in the use of the banking services for various reasons ranging from educational support for children to finance for the development of small business enterprise. Employees are using overdraft facilities more than self-employed. **Figure 4.28**

Except in a few cases average monthly income for employees is as low Le 499,000(\$120) whilst those who are self Employed had income level above Le1,999,000 (\$500). The scenario definitely has an impact on the living standard of the society and creates a situation where by people are compelled engaged in business activities to survive and to use the services of the bank. **Figure 4.29**

4.28



4.29



4.9 Source of income and attitudes to mobile phone services

As expected, respondents agree that mobile phones requires considerable amount of money for it to be beneficial and effective. Maintenance cost is directly related to its frequency of usage. Each category of owners derives its maintenance cost for their mobile phones from different avenues ranging from salary to handouts to support from family members.

Most owners meet this cost from their salary package and this represents 56.7%. Strangely family members at home and in the Diaspora also contribute to the maintenance cost of mobile phones for relations. Owners who are involved in other business activities use business profit to finance the cost of their phones. School children who are owners of mobile phone save their lunch allowance to finance their mobile phones. **Figure 4.30 & 4.31**

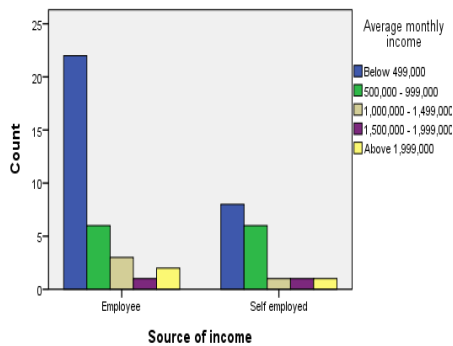
Preferential spend pattern shows that mobile is a strong contender for disposable income. **Figure 4.32**

Monthly spend on mobile phone shows that 38.3% of respondents spend below US\$25 per month on their phone whilst the bulk of respondents (46.7%) spend between US\$25 and US\$50 per month. This is quite low. A unique phenomenon emerging from the focus group is the fact that people have cultivated the habit of what is known locally as “Flashing” that is making call which should be returned by the other party. Respondents are very careful in the use of prepaid credits and make calls more often when there are free calls or reduced tariff promotion. **Figure 4.33**

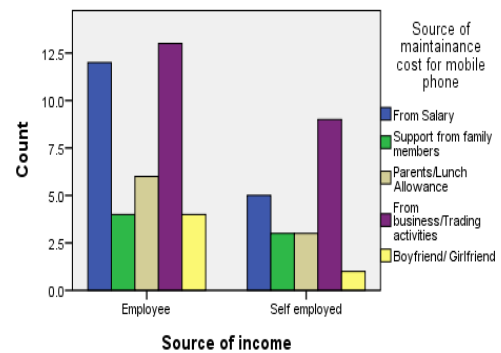
Comparison of running cost of mobile phone and benefits confirm that the cost of running and maintaining it is commensurate with the benefits. Owners / users who use it to get financial gains strongly agree. Mobile phone is a tool that generates both economic and social benefits.

Figures

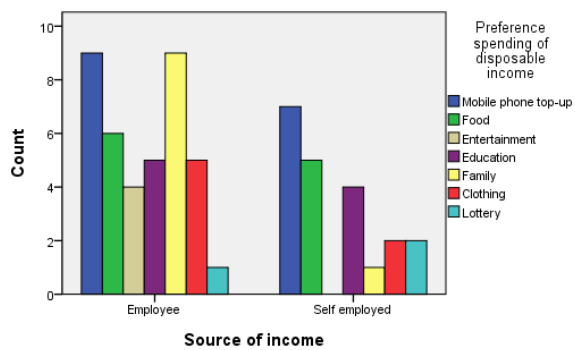
4.30



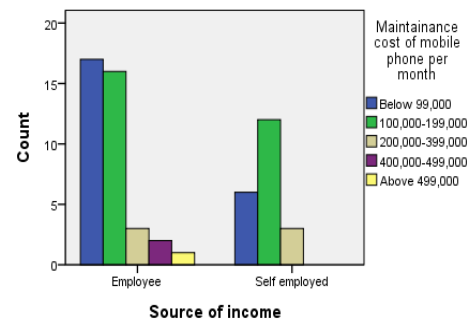
4.31



4.32



4.33



4.10 Key Research Objective 1: To establish the social benefits of FDI investment in the banking sector in terms creation of jobs, access to finance and poverty reduction.

The opening of the banking sector in the country as part of the financial reform process caused a corresponding improvement in some of the social lapses of the post conflict environment. Indeed one of the key social factors of unemployment factor was affected positively. Several job opportunities were created for young graduates as direct employees while indirect employment opportunities were abound, such as suppliers, construction workers, advertising companies, printers, and a host of other indirect employment.

Because of the issue of capacity in the country and the poor state of infrastructure the full benefits of the opening of the banking sector is not realized in country as outsourcing continues to play a significant part in the operations of banks. Therefore the study was only able to partially answer this part of the research question.

Sierra Leoneans were found to prefer doing business with traditional national banks as oppose to new entrants in the industry. Therefore a significant percentage of those who use banking services now operate multiple bank accounts by adding on a Nigerian bank to their already existing Sierra Leonean bank. Nigerian banks have indeed caused a liberalization of the conservative nature of Sierra Leonean banks and have contributed to economic growth. Nigerian banks offer exciting and extensive opportunities which has attracted a significant percentage of clientele. Correspondingly there has been an increased in the number of people who use formal banking services thereby causing a reduction the informal banking activities. In fact the aggressiveness of the Nigerian banks has led to increase use of all banking services offered. The creation of jobs and the provision of access to finance for various types of business designs is a step in the right direction for poverty reduction.

4.11 Key Research Objective 2: To determine the economic benefits of FDI investment in the banking sector and its contribution to economic growth.

Indeed the opening of the banking sector to FDI financial investors has created an impact on commercial activities and investment banking in the country. These new banks have provided distinctive, timely and personal financial services for individuals, small businesses, and corporate institutions. They have invested in branches all over the country, thereby taking banking to the people.

For customers living, working and travelling across the country they have easy access to cash at any location thereby avoiding the risk of traveling with cash over long distances. These banks have opened their doors to the private sector to encourage them participate in economic activities.

In fact, a specific bank in its drive to support economic growth has taken the lead by providing integrated interests in investment banking, commercial banking, and securities trading, wealth and asset management. On the other hand, other banks have taken the lead in mass market banking, principally by being customer focused, learning the intricacies of the business of the market women, organizing them into small groups that receive finance to support growth of their business.

Although there are risks involved in the opening of the industry it has contributed to economic growth in terms of creating industry competition on a level play field, development of Small and Medium Enterprises, provision of cash flow for businesses, provision of bank guarantee for transactions, contract financing and of course attracting much needed capital into the financial system. Innovative banking services have taken the market by surprise so their use is slow and will take time to grow. These Nigerian and pan -African banks have positively affected interest rates for both borrowing and savings which has given the opportunity for business people to borrow at negotiated interest rates and participate more in economic activities and allowing the growth of deposits in the banks as saving because of high interest rates.

4.12 Key Research Objective 3: To determine the social effects of FDI investment in the telecoms sector specifically for mobile telephony and its effect on the living standard.

The socio economic effect of mobile phone in the western area community in Sierra Leone is enormous. It ranges from job creation, increased income, and an effective tool for students, lifesaving tool, health care support, emergencies apparatus, security, information flow, business profitability, cost-reduction tool, improving family relations, enhancing Diaspora relationship, family support and a host of others. Mobile phone is an indispensable part of everyday life of the people of the western area of Sierra Leone.

A fact of the socio economic impact of mobile phone is that there is a positive correlation between spread of mobile phones and the effect on the quality of life indicators, including GNP per

It influences health care services and has contributed to saving and prolonging lives and to the lowering of maternal and infant mortality rates in the country.

The improvement in the flow of information evidently reduces business stress especially for agricultural products that are perishable. The impact of an improved information flow also affects the business of the middle-men as there is access to information from all regions. Traders are therefore able to make substantial profits.

Mobile phones save time and enhance efficiencies in business, especially in terms of coping with unexpected events - transporters can communicate with clients regarding their journey and communicate when there is a delay or breakdown or an accident. As a result of mobile phone ownership majority of small business owner reported increased sales and profits, time savings and greater efficiency.

Mobile phone ownership in the western area of Sierra Leone is found to be positively linked to life satisfaction and a willingness to help others. Owners confirm the improvement in relations with family members both at home and in the Diaspora and have brought continuous financial and other gains. Family members who were not use to keeping in touch now do so because of the availability of two way communications. This opportunity has also helped Diaspora family members to invest in property.

Social supports have increased tremendously in terms of payment of medical bills, provision of required medication because of the opportunity of mobile phone communication. Family members with permanent illness e.g. diabetes receive their medication from their children in the Diaspora regularly. Mobile phone is an effective tool for remittances from overseas to support all aspect of family life.

Business productivity has improved considerable as a result of timely communication amongst operatives, partners, decision makers and suppliers and security.

It has become an effective security tool in communicating when there is security risks as security outfits have toll free numbers that the public can use to relay information. In fact when one is carrying a mobile phone one feels more secure. It is a security feature.

Medical doctors can now be reached on several mobile networks and can reach for emergencies treatment in clinics and hospitals. Maternity hospitals are a prime beneficiary of this service.

Free call and low tariff periods have helped students to communicate with colleagues late at night when studying. It has also helped in holding long family discussions. This tool is also used to maintain intimate relationship through geographical distance.

Mobile phones has contributed to happy home as parents can communication between themselves to advise on location and time of arrival at home, to share information about traffic jams or other delays ,parents can communicate with children, parents can communicate with drivers , house maids, and give instructions to other domestic staff. It has helped to create a balance between family life and working life.

The extensive coverage of the networks, the increased affordability, the quality and effectiveness of the service offered by the operators and the extent of the innovative value added services have all contributed to the increasing importance of mobile phones as a means of two-way synchronous communication.

4.13 Key Research Objective 4: To establish the economic impact FDI investment in the telecoms sector specifically for mobile phones.

With the increase in FDI into the country it was found that it also results in the increase in the investment by national investors, suggesting that there exists a linkage between FDI and National investors. The following economic impacts were recorded from the study:

- Mobile phone is known to have transformed lives because of its impact on social and economic infrastructure.

- Increased financial support from family members in the Diaspora which contributes to an improvement in the living standard and influence economic growth. It serves as the link for remittances from the Diaspora.
- Provision of income generating opportunities such as job creation.
- Facilitation of financial transactions such as payment of bills and transfer of funds between individuals
- Mobile phone can cause an increase cost saving in business operations as most enquires and requests can easily be made over the phone.
- Ability to secure relevant business information through mobile phone can improve on business productivity, save on operation costs, improve efficiency and enhances supply chain management
- Increase speed of communication (get immediate answers) –overwhelmingly all respondents confirm that mobile phone is the most important tool for effective communication
- Mobile phone has become the pivot for successful economic and business activities. When missing, it is difficult to continue doing business in contemporary times. 75% really know the impact of mobile phone on economic and business activities and the savings of time and noted that the money it brings to a business venture will be lost if it is not available.

4.14 Paired Sample Two tailed t-test

This test was conducted on the two sets of data –banking and telecoms. This two tailed test was conducted at alpha level of .05. Two set of variables were used for each set of data namely gender and age against specific services. The results generated include difference in mean, t-value and the p-value. A paired samples t-test fails to reveal a statistically reliable difference between the mean when p-value is less than or equal to alpha.

4.14.1 Paired Samples two tailed t-test - banking data

Table 1 **Gender**

Description	Difference in mean	t-value	p-value
Preference for bank	-1.925	-4.962	0.000
Main banking services used	-5.325	-10.952	0.000
Reasons for choice of bank	-2.100	-5.597	0.000
Benefits of banking liberalization	-0.650	-3.823	0.000
Effect of banking liberalization	-0.450	-2.096	0.043
Use of electronic banking services	-2.050	-9.826	0.000

Table 2**Age**

Description	Difference in mean	t-value	p-value
Preference for bank	-1.150	-2.644	0.012
Main banking services used	-4.550	-8.568	0.000
Reasons for choice of bank	-1.325	-3.331	.002
Benefits of banking liberalization	0.125	0.606	.548
Effect of banking liberalization	-0.325	1.411	.166
Use of electronic banking services	-1.275	-5.251	0.000.

4.14.2 Paired Samples two tailed t-test - telecoms data**Table 3****Gender**

Description	Difference in mean	t-value	p-value
Means of communication	-1.317	-7.574	0.000
Reasons for buying mobile phone	-1.317	-6.845	0.000
Source of maintenance cost for mobile phone	-1.483	-7.832	0.000
Benefits of mobile phone	-1.317	-7.574	0.000
Comparison of cost and benefits for mobile phone	-0.367	-3.452	0.001
Most important contribution of mobile phone	-.200	-1.516	0.135

Table 4**Age**

Description	Difference in mean	t-value	p-value
Means of communication	-1.367	-7.488	0.000
Reasons for buying mobile phone	-0.617	-2.543	0.014
Source of maintenance cost for mobile phone	-0.783	-3.215	0.002
Benefits of mobile phone	0.617	-2.994	0.004
Comparison of cost and benefits for mobile phone	-0.333	1.914	0.060
Most important contribution of mobile phone	-0.500	2.661	0.010

4.15 Correlation matrix

The correlation matrix for two variables is shown below in tables 1 &2. It indicates the degree of association between the variables and varies between -1 and +1. A positive correlation value implies a positive association and a negative correlation implies negative association.

4.15.1 Correlation matrix of responses in relation to Gender and Age- banking sector

Table 5 Correlations Matrix-gender

	Gender of Respondents	Preference of Bank(s)	Reasons for choice of bank	Benefits of banking industry liberalization	Effect of banking liberalization on business	Use of electronic banking services	Main banking services used
Gender of Respondents	1	.138	.028	.008	.043	.118	.080
Preference of Bank(s)	.138	1	.336 [*]	-.170	.316 ⁺	.202	.154
Reasons for choice of bank	.028	.336 [*]	1	-.467 ^{**}	.202	-.030	-.284
Benefits of banking industry liberalization	.008	-.170	-.467 ^{**}	1	.027	-.132	.090
Effect of banking liberalization on business	.043	.316 ⁺	.202	.027	1	-.202	-.355 ⁺
Use of electronic banking services	.118	.202	-.030	-.132	-.202	1	.326 ⁺
Main banking services used	.080	.154	-.284	.090	-.355 ⁺	.326 ⁺	1

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

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

Table 6 Correlation Matrix-Age

Description	Age of Respondents	Preference of Bank(s)	Main banking services used	Reasons for choice of bank	Benefits of banking industry liberalization	Effect of banking liberalization on business	Use of electronic banking services
Age of Respondents	1	-.094	-.135	.033	.131	.218	.120
Preference of Bank(s)	-.094	1	.154	.336*	-.170	.316*	.202
Main banking services used	-.135	.154	1	-.284	.090	-.355*	.326*
Reasons for choice of bank	.033	.336*	-.284	1	-.467**	.202	-.030
Benefits of banking industry liberalization	.131	-.170	.090	-.467**	1	.027	-.132
Effect of banking liberalization on business	.218	.316*	-.355*	.202	.027	1	-.202
Use of electronic banking services	.120	.202	.326*	-.030	-.132	-.202	1

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

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

4.15.2 Correlation matrix of responses in relation to Gender and Age-Mobile phone

Table 7 Correlation Matrix- gender

	Gender of respondents	Means of communication available	Reasons for buying a mobile phone	Source of maintenance cost for mobile phone	Comparison of mobile phone cost and benefits	Benefits of mobile phone	Most important contribution of mobile phone
Gender of respondents	1	-.167	.072	.032	.044	.080	-.101
Means of communication available	-.167	1	-.208	.140	.024	-.066	-.121
Reasons for buying mobile phone	.072	-.208	1	-.225	.239	-.209	.176
Source of maintenance cost	.032	.140	-.225	1	-.131	.226	-.127
Comparison of mobile phone cost and benefits	.044	.024	.239	-.131	1	-.192	.205
Benefits of mobile phone	.080	-.066	-.209	.226	-.192	1	-.157
Most important contribution of mobile phone	-.101	-.121	.176	-.127	.205	-.157	1

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

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

Table 8 Correlation Matrix- Age

Description	Age of Respondents	Means of communication available	Reasons for buying a mobile phone	Source of maintenance cost for mobile phone	Comparison of mobile phone cost and benefits	Benefits of mobile phone	Most important contribution of mobile phone
Age of Respondents	1	.021	-.096	-.151	-.137	.101	-.135
Means of communication available	.021	1	-.208	.140	.024	-.066	-.121
Reasons for buying a mobile phone	-.096	-.208	1	-.225	.239	-.209	.176
Source of maintenance cost for mobile phone	-.151	.140	-.225	1	-.131	.226	-.127
Comparison of mobile phone cost and benefits	-.137	.024	.239	-.131	1	-.192	.205
Benefits of mobile phone	.101	-.066	-.209	.226	-.192	1	-.157
Most important contribution of mobile phone	-.135	-.121	.176	-.127	.205	-.157	1

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

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

4.16 Supply Chain Management in the Banking Industry

Access Bank (Sierra Leone) Limited is one of the seven Nigerian FDI investors in the banking sector in Sierra Leone. It commenced operations in the country in the year 2007 and they are a part of the Access Bank group with subsidiaries in 7 other African countries. They offer full scale commercial banking services exhibiting a wide range of innovative and refreshing products and services.

The bank is committed to having a positive impact through its purchasing supply chain decisions and ensuring that their business practices are fair and responsible.

As a global business their supply chain is far reaching, covering purchases from technology to travel and they spend millions of dollars on goods and services each year and support over 2,000 suppliers across their network.

Banks often buy services and materials from a variety of suppliers without benefitting from economies of scale. The bank has therefore set up a supply chain network in the group which shares best practices. The bank operates a procurement department as part of its functional areas of operations because of its belief that procurement decisions can have a real impact on their suppliers, as well as the environment and communities in which it operates.

As a first step in displaying its commitment the bank has developed a procurement practice guidelines to ensure a fair and equitable procurement selection process. Competitiveness is now of utmost importance in the banking industry and the creation of procurement guidelines across the Access bank group to ensure compliance with the banks expectations.

Furthermore the bank has set up at its headquarters in Nigeria a General Resource Management department with oversight responsibility to monitor procurement processes across all subsidiaries.

This department together with the bank's financial controls department helps to simplify, standardize, share best practices, accelerate procurement processes, understand terms and conditions of trade, improving quality of sourcing decisions and analyze supplier's performance.

The bank conducts its procurement process through the issuing of local purchase orders and business contracts. Monitoring and tracking of invoices are managed by the finance department and all suppliers keep an account with the bank. Because of the lack of capacity in the country and the issue of quality the bank is forced to undertake considerable amount of foreign procurement.

The bank had synchronized its guidelines with that of the country's local legislation to ensure compliance. The aim of the bank's procurement process is to clearly inform potential suppliers of the expectations of the bank, and its policies and requirements. The bank has set up a supplier/vendor approval and register system for all the required needs of the bank.

In ensuring the effective performance of the bank's supply chain framework there are key indicators that are regularly monitored:

4.16.1 Suppliers Performance

The monitoring of suppliers' performance is an important aspect of the procurement process and in the development of win-win client –supplier relationship. The bank sees this as a two way street because it involves the bank stating its requirements and expectations and the supplier meeting these standard/specifications within an agreed timeframe. The bank conducts a supplier evaluation process on a quarterly basis to review performance, visit supplier's premises and check compliance with the group standard operating procedures. From time to time the bank through an independent contractor conducts mystery shopping to check market prices against that of suppliers.

4.16.2 Relationship with Suppliers

The bank's perception of the business of supply chain viz a Vis procurement is that it is a partnership for mutual gains including the enhancement of corporate integrity of the institution. The premise for this is the respect for each other and the confidentiality of supplier's information submitted.

The bank therefore strives to conduct the procurement process in a manner that is largely transparent, fair and free of favouritism.

The procurement department works with suppliers to promote the banks corporate principles and values and seek to build long-term productive and collaborative relationships. Essentially the materials and services the bank's received by suppliers directly impact the quality of its products and services.

4.16.3 Sustainable Suppliers

The bank has developed a suppliers register that capture quality of supplies, respect for deadlines, compliance to principles and standards, and consistency of supplies. A key issue that is of concern to the banks procurement team is the issue of sustainable capital for suppliers. This is a problem that affects performance both in terms of delivery and quality of products and services. The challenge for lack of capacity to remain sustainable is being managed.

4.17 Supply Chain Management in the Mobile Telecoms Industry

Zain (SL) Limited is noted for its role in communities in which it operates as it focuses on positive impact of its economic, social and cultural projects. As at the time of the secondary data collection the company was in the middle of its rebranding campaign having been bought over by Bharti Airtel which is of Indian origin and is the 5th largest mobile telecommunication network in the world. With this acquisition of Zain, Airtel now operates in 19 countries across Africa and Asia, and with this new growth in corporate brand identity it is serving over 250 million subscribers worldwide.

Airtel (SL) Limited group is having a number of operations across different markets which make it able to leverage on its considerable resources across the group to maximize the use of best practices and the returns to its shareholders. The Airtel group is noted for exploiting synergy at all levels- marketing, operational, technical, finance and supplies to reduce costs and to benefit from operational and technical development and the provision of unique quality and services to its customers.

The mobile telecoms industry's radical shift in the year 2006 from a supply-driven marketplace to a demand-driven model has significantly impacted not only how mobile operators market and sell their products, but how they purchase their own network equipment and other supplies. In the current economic climate, achieving operational efficiencies and reducing cost has taken paramount importance.

The only way mobile telecom operators and their suppliers can be able to succeed in the new demand-driven marketplace is by practicing effective supply chain management and streamlining procurement processes.

In the implementation of the demand driven business model, Airtel (SL) Limited has deployed services that have proven demand, provides efficiency, and reduces overall network operating costs. This shift to a demand-driven supply chain model necessitated the creation of a full fledged supply chain department because of the considerable impact of how the supply chain is managed.

The company has established a global supply chain department at its headquarters in India and a supply chain hub in Nairobi to co-ordinate all supply chain activities across all operators in Africa. Therefore, the objectives of the global supply chain policy are to ensure achieving operational cost effectiveness and reducing operating cost. These two parameters have become key performance indicators in all networks. In the supply chain there are two broad categories, namely capital expenditure (Capex)-assets and operating expenses (Opex)-operating expenses.

In Airtel (SL) Limited supply chain management had been the key strategy in achieving competitiveness. Unless the whole supply chain which includes its suppliers and distributors is reinvented, the company will sub-optimize its efforts and resources and stay uncompetitive. Supply chain management decisions are therefore made on three different levels-the tactical, strategic, and operational levels. Strategic level involves long term decisions while tactical includes medium term decisions and operational level is concerned with short term day to day. The Airtel group now regards every member of the supply chain as partners and has developed a supplier data base to include both local and international suppliers and conducts an annual supplier's rationalisation exercise. The company has an established procurement committee which is headed by the managing director and comprise of all functional heads including the legal adviser.

There is also a tender evaluation committee that produce recommendations for the approval of the procurement committee. The group has produced a policy guidelines manual (blue book) that is used by all operators. This manual gives the strategic direction for supply chain management in the group and includes a supply chain management audit procedure to be conducted periodically to check transactions and compliance with contract management policy.

The Airtel group maintains a register for international suppliers that operate within the group framework agreement and most of the high value contracts are signed at the headquarters in India. Airtel (SL) Limited has also developed domestic framework agreement for to ensure that procedures are followed and local statutory requirements are met.

The operating market in Sierra Leone is small and therefore creates monopoly for some suppliers because there are not too much options and leads to uncompetitive pricing structure when benching is done across the group. Ultimately when quality becomes an issue most supplies have to come from across the world market. Performance review is conducted quarterly for strategic suppliers and is the basis for renewal of contract. Improvement in supplier sustainability is driven by a genuine partnership with their suppliers. Therefore, suppliers are rewarded for exemplary performance through a recognition program. The Airtel group pays attention to its relationship with its suppliers or rather its partners by constant interaction with them in the company's cost saving strategy. Monitoring of suppliers performance is an important aspect of the on-going relationship. Each regional Airtel (SL) outlet monitors supplier performance through their day to day relationship with suppliers. A partner satisfaction survey is conducted annually for both local and international suppliers. The main supply chain divisions in Airtel (SL) Limited are:

4.17.1 Network Equipment supply chain

The suppliers of international mobile telecoms equipment are indispensable to some extent because they remain a permanent feature of the mobile operator supply chain. They produce and supply high technology radio equipment and further keep a maintenance service associated with this equipment. In this division there are also contractors for civil works, installation of towers and local suppliers who provide the sites and help in the installation.

4.17.2 Marketing and Devices supply chain

This supply chain for marketing includes advertising ,promotional materials, point of sale logistics, media planning and buying, consumer promotions, marketing of handsets, special promotions ,outdoor activities and most importantly sales of top-up and SMS card. This sales and distribution of top-up and SMS cards have a specific supply chain format which has been attached to its sales commission which are offered by the company along each level in the supply chain.

There are four primary supply chain channels through which Top-up and SMS are sold are:

- The company conducts a direct marketing exercise by setting up corporate deals with large companies for communication with staff at special rates, state security departments and other security institutions. A special deal is also arranged with the country's essential service departments.
- Top-up and SMS cards are sold to registered dealers who in turn resell to sub dealers who then in turn sell to multiple independent points of sale.
- Registered dealers are frequently in the habit of bypassing the sub dealers and sells direct to independent points of sale retaining the commission on the arm of supply chain.
- The company also sells Top-up and SMS cards directly to large dealers whose main business is the marketing of Top-up and SMS cards of all mobile networks operating in the country.

14.17.3 General Services supply chain.

General services supply chain channels were identified and these include fuel for cell sites, generators for provision of power to keep cell sites constantly running , growth of the network, administration for improved productivity, HR and logistics to ensure hiring of the best staff and the provision of resources to support efficiency, public relations to communicate corporate social responsibility in the various communities and the hiring of consultants for the development of strategic business development plans. Other general support services identified are network repairs, training, rent for buildings including customer care outlets nationwide and lease agreement expenses for cell site locations.

4.17.4 Information Technology supply chain

Airtel (SL) Limited recognizes the importance of the IT supply chain in their business has maintained a firm grip to ensure its effectiveness. Most of the IT supply chain channel agreements are executed under group contracts so that the company benefits from economies of scale. Thus all IT equipment and network agreement are centrally managed.

Only a small portion of this supply chain is managed locally. Maintenance contracts for high value IT equipment are also done centrally.

4.18 Key Research Objective 5: To analyse the supply chain flow and policies of a new entrant bank and a mobile telecoms operator

A supply chain is a system of organisations, people, technology, activities, information and resources involved in the marketing and distribution of products and services. Thus supply chain analysis is an important tool to any management, aiming at introducing strategic procurement policies into its operations.

This is important because the heart of strategic procurement is the notion of creating competitive advantage for organisations by proactively managing suppliers and supply chains.

The data collected and analysed in this part of this study are derived from secondary data collection and to some extent from the content of the focus group discussions. This result presents an over view of the supply chain format, principles and broad outline of how it flows in the organisation and how the supply chain is integrated in the framework of the existing institutions, infrastructural challenges, lack of capacity and the business environment.

Supply chain management is a critical process for an organization in terms of its success and customer satisfaction. It can be classified into three main categories- strategic, tactical and operational. Strategic decisions are made typically over a longer period and are closely linked to corporate strategy and guide the supply chain policies from the design perspective.

On the tactical level medium term decisions are made, such as weekly demand forecasts, distribution and transportation plans, events and promotional campaigns, and inventory management.

On the other hand, operational decisions are short term and focus on activities over a day to day basis.

The benefits of the supply chain profile of these institutions are:

- Implementation of best practices across networks
- More effective use of demand planning
- Utilization of cost-saving opportunities
- Development of strategic partners
- Improvement in the relationship with suppliers
- Leads to competitive advantage

All organizations have supply chain of varying degree, depending on its size and nature of business. Supply chain management is more than purchasing or procurement. A contemporary supply chain management requires a broad range of knowledge to understand and manage key functional areas such as purchasing, sourcing, logistics, quality, sales and distribution, contractors, contract designs, relationship with key strategic suppliers and benchmarking against competitors.

Supply chain is the integration of key business functional areas in order to create value for customers and improve on profitability of the business.

Satisfied customers are the desired end result of any supply chain management strategy at three areas of great concern within supply chain management are customer satisfaction, inventory, and flexibility.

4.19 The key findings of the study:

4.19.1 Social and Economic benefits and Opening of the banking industry

- Contribution the reduction of unemployment by job creation, creates industry competition, increased the inflow of financial capital and improvement in productivity.
- Contribution to economic development by the inflow of financial capital.
- Increased efficiency in the banking industry
- Contribution to infrastructural improvement through investment in property both for office space, residences and other affordable housing for staff
- The aggressiveness of the new banks has taken banking to the doorsteps of the people resulting in the increased number of account holders thereby causing growth in formal banking participation
- Expansion of the opportunities available to the business community for access to finance and provides growth platform for the private sector
- Improvement in customer care service in all banks both new and existing and an admirable potential to taking risks.
- New and better ways of doing banking by the use of innovative products and services and cash collection methods
- Contribution to economic growth and an improvement in the living standard of the people
- Huge financial support to corporate institutions and SME's in terms of the provision of working capital support, short term loans, and contract finance support
- Improvement in the interest rate of both savings and borrowing
- The introduction of electronic services increases competitiveness of the industry
- The effective use of supply chain practices including the use of group best practices, better management of suppliers and outsourcing to deal with the market challenges

4.19.2 Social and Economic benefits of the liberalization the telecoms sector

- Significantly increased access to and use of mobile telephone which positively affects the living standard.
- Mobile telephone has become the preferred mode of communication and is used predominantly for business and for maintaining family relations at home and abroad.
- Mobile phone contributes to job creation, education, health care services, security and emergencies, social support to families, cost reduction projects, improvement in productivity, improved business efficiency and help alleviate poverty.
- Mobile telephone is primarily used for making and receiving calls but more experienced users can send SMS, play games, storing data and other information.
- In terms of the relationship between mobile telephone and livelihoods, the study suggests:
 - There is a positive relationship between perceived access to mobile telephone and perceived livelihood change.
 - The impact of mobile telephone on livelihood is positive in terms of social and financial capital gains.
 - In particular, the reported increase in access to mobile telephone is leading to increasing contact with family and friends, improving information regarding family events, reducing cost of travel and increasing speed of communication.
 - Mobile telephone is critical for successful economic and business activity and will be difficult to continue doing business if it could no longer use.
 - Mobile telephone is the most effective way in communicating for social information, emergencies, security information, business transactions, family financial support and education.

- People are willing to forgo other things for the sake of mobile telephone and that mobile telephone has made the greatest contribution to their lives apart from any other personal target
- In the telecoms industry supply chain is a very important tool and is managed locally and from the head offices. Global brands share best practices and key supply chain decisions are taken centrally with binding contract

Concluding on the socio economic benefits the following statements are true

- The benefits of mobile phones justify their costs
- That using mobile phones reduces other important activities
- That the cost of mobile phones makes people sometimes give up other important things in their life.

In summary this chapter both the quantitative and qualitative data collected are analysed. The quantitative data collected by structured questionnaires are analysed by using the PASW Statistic 18 software. Results were generated based on attitudes of gender, age, and source of income. Cross tabulation analysis were also conducted to include paired sample two tailed t-test to determine significant differences and correlation matrix to determine the correlation between responses. The qualitative focus group discussion revealed a lot of information about the consumer perception of the benefits of mobile telephony and positive and negative benefits of the opening of the banking sectors to Nigerian investors. A critical transcribing exercise was conducted to extract relevant data from the recordings of the discussions. Secondary data collected were also recorded in this chapter. The result of the face to face interview conducted on supply chain management in two selected FDI operators (one in the telecoms sector and one in the banking sector) were also analysed. The keys socio economic findings per sector were listed in this chapter

Chapter 5

Conclusion

In Sierra Leone as a post conflict country, foreign direct investment (FDI) has a strong, positive impact on rebuilding the country's infrastructure, reviving its economy by bringing much-needed private capital, technology and new skills, and stimulating local industries into restarting operations. Foreign direct investment enhances the confidence in the country as an investment destination, which encourages investors to take advantage of the opportunities presented by the rebuilding process. The presence of new foreign investment in the country is also a visible manifestation of hope for a better tomorrow for local citizens.

5.1 Foreign Direct Investment

The declining donor support in recent years has compelled the government of the day to turn to foreign direct investment (FDI) as a means of sustaining development plans as donor support alone cannot transform the damaged economy. In this regard foreign direct investment (FDI) is a valuable tool in revitalizing industries, rebuilding infrastructures and eventually even eliminating the need for aid. However the government of the day has the sole prerequisite to determine the type of FDI to be attracted that compliments its development aspirations. From all indications the service sector seems to be the quickest FDI path to restore a post conflict economy in terms of its gross domestic product (GDP), the generation of job opportunities, skills transfer and the impact of economic progress on the lives of the country's population.

5.2 Socio economic effect of FDI in the Banking sector

In the banking sector over the last three years there has been tremendous changes in terms of the number of institutions, ownership structure and outreach. The country is home to thirteen commercial banks with seven from Nigeria and with adequate capital and looking for innovative ways of serving the market with new products and services.

This has indeed created both social and economic impact in the country because the financial sector has been badly damaged and the need for such reform to enable it provide the impetus for post war economic recovery and sustained economic growth was inevitable.

The financial sector reform established the adoption of the comprehensive strategy for the deepening of the sector so as to make it more responsive to the post war development strides of the country. This led to the creation of a financial system that is stable, sound and market-based to support efficient resource mobilization necessary for economic diversification and sustainable growth.

Thus the open door policy to investors to make their contribution to economic development to help address the number of weaknesses in the system is regarded as the first step towards economic recovery. The recent and sizable inflows of FDI into the banking sector have indeed created stability in the financial system and an improvement in the efficiency of the industry. The entry of the Nigeria commercial banks into the economy has led to more efficient local banks due to increased competition and transfer of best practices from foreign banks that have superior skills and technology. The banks have also provided a more stable source of credit to the business community in terms of working capital support, loans and overdrafts and increase the diversity of credit sources.

The study generally shows that increased foreign bank presence has led to a reduction in the interest rate margins, confirming that the overall banking system has become more efficient. This intervention by Nigeria bank investors have created employments, increased availability of credit to SME's, reduced the cost of government domestic borrowing, expand outreach of financial services and diversified financial products. Specifically the foreign direct investment in the banking sector created employment opportunities for many job seekers and have reduced the pool of unemployment youths.

These opportunities have benefitted the economy in many ways- increasing household incomes, broadening the national revenue base which empowers government to provide more socio-economic needs for the people and stemming the tide of social instability that is likely to be consequence of high unemployment.

These commercial banks have also greatly enhanced the mobilization of savings in the economy and they have been able to invigorate the industry by increasing public confidence.

The introduction of modern banking facilities such as new cash collection methods, the introduction of Automatic Teller Machines, and other convenient means of banking to induced saving mobilization have all contributed to the improvement in the efficiency of the banking industry.

Furthermore the number of accounts held by the banking system has grown from just above 180,000 to about 300,000, although this increase cannot be associated entirely with new savers but due to the fact that most savers now embark on split banking –one customer having more than one account. Also it is evident that a sizable number of the unbanked public has been attracted by the innovative services of these new banks.

Competition within the industry has grown significantly across product lines, deposits, lending and payments, and has leveraged effectiveness in the service delivery by operators, return on savings and access to credit. The heightened competition in the industry has fuelled risk appetite of banks.

With the advent of the new banks, banks which traditionally exhibits conservative lending practices have joined the new banks to create an important microfinance window aimed at addressing credit demands for SME'S and petty traders. This is laudable as it is the key to unlocking the potential of the country's large microenterprises sector which is a turnaround in the country's strides towards poverty alleviation and economic growth.

The growing competitiveness in the banking industry reveals innovation in terms of products and services for the benefit of the public. Banking services are now at the doorsteps of the public more than ever before.

The introduction of new cash collection methods, mobile banking services, numerous cash points and group micro loan schemes has also helped to bring the banks closer to the people. The young and upcoming generation is participating in innovative services such as mobile banking to effect transfers, use of ATM's and internet banking.

Customers are now notified on their mobile phones when any amount of money is withdrawn from their account. The banking industry has indeed undergone rapid transformation and modernization.

Furthermore banks have also focused on increasing their number of outlets to sell their products and services. As the new banks search for market across the country branch network has increased from 31 in 2005 to 57 in 2008. This expanded outreach has increased public access to financial services and provides opportunity to the unbanked public.

Notwithstanding the enormous benefits that heightened competition in the banking industry has brought to the country, there are evidences that former traditional banks are likely to be adversely affected as competition deepens and business strategy becomes more dynamic.

5.3 Socio economic effect of FDI in the telecoms sector

Telecommunications is the infrastructure of the emerging global information society and therefore every nation is challenged to acquire rapidly growth in this sector as a way to emancipate its people socially and economically. This is the most prominent industry in the service sector that can quickly turn around the lives of communities and increase competitiveness of the country. It is also a strategic component for the development of other sectors.

Mobile telephony in Sierra Leone has gone through a period of substantial development and change. As at the end of 2008, market penetration stood at 28% in the urban areas and 15.5% in the rural areas which represents just over 2.1 million customers. However, these figures represent the number of SIM cards and therefore do not equate directly to numbers of users as there is evidence of multiple SIM card ownership.

The socio-economic impact of mobile telephony in Sierra Leone is significant and there is much evidence that it has improved the standard of living of the people. The impact of mobile telephone service on the economy of Sierra Leone as is everywhere is potentially far-reaching. However this study has concentrated on the socio economic impact of mobile telephony on the lives of the people in the western area of Sierra Leone.

The mobile telephone sector has impacted almost every aspect of the living standard of the population in the western area. It has opened up an entirely new means of communication with the rest of the country and the entire world. The boom of the mobile industry has not just created new jobs and revenues but also contributed to economic growth by widening markets, creating better information flow, lowering transaction costs, and substituting for costly physical transport.

Owners of mobile phone are able to save time and money by avoiding lengthy journeys in unreliable vehicles whilst still being able to maintain their social connections. It is a particularly powerful tool for sole traders who can order stock and conduct other administrative aspects of their business without having to close their operations, particularly important for retailers.

The mobile phone has contributed to employment and job creation in several ways. First, there is the direct employment by the various operators. Secondly, there is the support employment, which is created by outsourcing through contractors. Thirdly, there is the indirect employment, which covers the supply chain of the sales and distribution of Top-up and SIM cards. Finally, there is the induced employment which refers to jobs created as employees and other beneficiaries spend their earnings, thereby creating extra employment.

In terms of the relationship between mobile phone and living standard, the study concluded that there is a positive relationship between access to mobile phone and perceived change in the living standard. Mobile phone is critical to economic activity and will be difficult to continue operating efficient business activities if access is denied. It affects the value chain of small businesses and reduces the cost of doing business (incremental benefits) and expands business opportunities.

Mobile telephone is an important business and social tool, allowing users to conduct their affairs with greater efficiency and lower cost, whilst allowing families to stay in touch more easily. Mobile phones have taken the role that fixed telephones use to play in the country.

Mobile telephones have improved the dissemination of information to allow traders and markets to operate more efficiently. It has increased income of producers and helped reduce wastage and shortages. Mobile telephones have raise efficiency by allowing workers to be in touch when away and better access to information on where their services are required.

The benefits of mobile telephone in enhancing the welfare of families and society are well recognized. Whilst economic necessity requires people to be increasingly mobile, affordable communications helps avoid the social fragmentation that is likely to occur.

There are a number of ways that mobile phone have promoted cohesion in families and society and allow families and communities to remain as a coherent unit when family members are away for long periods. In cases where a family member is abroad either temporarily or permanently it allows the family unit to remain intact as well as the generation of revenue from international call.

One of the most consistent messages to emerge was the benefit of the timely spread of information in response to danger or mishap. The study concluded that while mobile telephones are only one element of a whole array of the means of communications, they are especially effective at diffusing information rapidly to where it is most urgently needed.

5.4 Supply chain analysis in FDI institutions

The supply chain analysis indicated that all successful companies must build a strong relationship with their suppliers. In the supply chain analysis key concerns are suppliers' performance, sustainable suppliers and suppliers' relationship. Companies are not isolated entities that simply purchase goods and services from individuals who happen to be able to supply them at that particular time.

In reality, foreign investment companies recognize the need to build bridges between their organization and the suppliers that they work with by establishing strong buyer/seller relationships.

Supplier relationships are different from simple purchasing transactions in several ways. Firstly, there should be a sense of commitment from the suppliers. Companies should not just communicate with suppliers when a procurement need arises but the relationship should be such that they are able to discuss their future needs and to determine how best to satisfy those needs by working together.

The company's attitude and view of its suppliers matters a lot for business success and it is best when suppliers are considered as partners and not just simple commodity providers. This difference in orientation can have a profound effect on the way an organization communicates and works with its suppliers and in turn can contribute positively to efficiency and profitability.

Therefore since suppliers are regarded as partners they should undoubtedly be encouraged to become knowledgeable about the company, its processes, its products, and its goals.

Foreign investment companies should carefully evaluate potential suppliers and their backgrounds in order to select the suppliers from the group that will best fit the needs of the business. After the selection of the suppliers, companies need to negotiate contracts and engage them in forward planning. This is critical in establishing the stability in the supplier relationship that is necessary for both parties to feel comfortable.

The intervention of FDI in both developed and developing countries is growing. The incidence of FDI in Sierra Leone is consistent with the views expressed in the literature review. Also consistent with the literature review is the fact that most FDI is being directed to the services sector. The influx of FDI into the country has allowed domestic firms to invest in technology and rise to the challenge of meeting the needs of the supply demands of FDI operators.

The findings of the study on the type of employment created is the same as is dictated in the literature as those benefitting are those with skills except when there is an investment in the primary sector and natural resources when you have the unskilled benefitting from employment.

Clearly as mentioned in the literature review FDI inflow into the service sector contributes to economic development by the increase in foreign capital, enhancement of operating efficiency ,increase in innovations, and the transfer of marketing and managerial skills. The study also shows that the effect of Doing Business reforms in an economy is consistent with the views expressed in the literature review. As outlined in the literature review the government has influenced the inflow of FDI by effecting new business policies, improved investment climate, and the conduction of an investment policy reform.

Liberalization of specific sectors and the setting up of regulatory authorities to ensure compliance and fair play is also in accordance with the views of the literature review. The literature review states that the socio economic effects of the liberalization of the telecoms sector are enormous and particularly in the mobile category are in agreement with the findings of the study. The influx of FDI in the banking sector has contributed to improved efficiency, improved domestic savings, reduction in interest rates, significant competitiveness and the awakening of the importance of customer care in the eyes of existing players in the industry is a common feature in both the literature review and the study. A similar common feature is the fact the opening of the banking sector has provided options for creative financing for SME's and corporate institutions.

The transcribed conclusions from the focus group discussions were critical and captured a lot of relevant information that coincided with the secondary data. The face to face interview with key personnel on supply chain management was unique as it clearly demonstrates the importance of this function in establishing industry competitiveness.

5.5 Reliability and Validity

Reliability of this study is supported by a pilot survey with the structured questionnaire and the subsequent amendments to ensure that all questions are clear and can be answered. Although the respondent sampling was random a reasonable gender split was attained over a wide range of professions.

Furthermore results obtained from the structured questionnaire were consistent with those of the focus group and were relevant to the facts from the secondary data collection.

The accuracy or truthfulness of the data collected is based solely on the conviction that each question in the questionnaire was well scrutinized and modified to accurately measure what really has to be measured, and that there is adequate coverage of each area to be investigated. The results generated are guaranteed and can thus be generalised across the country.

Appendix1

Confidentiality in the Use of Data Provided by third Parties

The data received from the organisations listed below have been used solely in the pursuit of the academic objectives of the work contained in this dissertation and not and will not be used for any other purpose without agreeing with the provider of the data.

Name (Print): **Adeyemie F. Rodney-Sandy**

Signature: -----

Date: -----

List of Data Providers

- **Bank of Sierra Leone**
- **Statistic Sierra Leone**
- **Economic Policy and Research Unit – Ministry of Finance and Economic Development**
- **Airtel Sierra Leone Limited**
- **Access Bank Sierra Leone Limited**

Appendix11

Declaration

I declare that the work undertaken for this MSc Dissertation has been undertaken by myself and the final dissertation produced by me. The work has not been submitted in any part or in whole in regard to any other academic qualification

Title of Dissertation

“Socio economic impact of Foreign Direct Investment (FDI) in an Emerging economy: Case study of representative investment projects in Sierra Leone in the period 2000-2008”.

Name (Print): **Adeyemie F. Rodney-Sandy**

Signature: -----

Date: -----

Bibliography

1. Adams S. (2009), Can Foreign Direct Investment (FDI) help promote growth in Africa? African Journal of Business Management Vol. 3 (5) PP. 178 – 183.
2. Adams. J, et al (2007) Research Methods for Graduate Business and Social science students, published by Vivek for Response books.
3. African Development Bank (ADB): Sierra Leone completion report, December 2009
4. Altenburg, T (2002), “Transnational corporations and the development of local firms” in Munk, AM(Ed), Partner in development? The Association of development researchers in Denmark, pp 43-76
5. Aryeetey,E (1992), The relationship between the formal and informal sectors of the financial market in Ghana, African Economic Research Consortium, research paper No.10
6. Ayadi, F.O and Hyman L, (2006), financial liberalization and price rigidity in the Nigeria banking system.
7. Ayanwale, A.B (2007), FDI and economic growth: Evidence from Nigeria. African economic research consortium paper: 165.Nairobi.
8. Bandiera, O et al, (1999), ‘Does financial reforms raise or reduce savings? Working paper no.2062, World Bank.
9. Bayliss , K (2003): Economic Liberalization and poverty
10. Brambila Macias, and Massa, I (2009), -The global financial crisis and sub Saharan Africa. The effects of slowing private capital inflows on growth, ODI Working paper 304,London : Overseas Development Institute
11. Brambila, Macias J et al (2009), Cross border bank lending versus FDI in Africa’s growth story.
12. Bogdan, R.C and Biklen, S.K (1998); Qualitative research in Education: An introduction to theory and methods (3rded).Needham Heights, MA: Allyn & Bacon
13. Brock, P and Rojas-Suarez, L (2000), Understanding the behaviour of banks spread in Latin America. Journal of development economics 63,113-134.

14. Caprio G et al: World Bank policy research paper, 1993
15. Chakraborty, S (2005), Mobile phones bridging the information divide, Issues and Lessons from Africa JOMC 223; Global impact of new communications technologies, University of North Carolina at Chapel Hill.
16. Cunnigham. W and Peeters,P (2006): Youth Employment in Sierra Leone: An agenda for research
17. De Vita, G and Kyaw, K.S (2009), Growth effects of FDI and portfolio investment flows to developing countries: A disaggregated analysis by income levels, Applied Economics Letters, 16(3).pp277-283.
18. De Silva, H and Zainudeen, A (2007), Poverty reduction through telecoms access at the bottom of the pyramid. Centre for poverty analysis annual symposium on poverty research in Sri Lanka, Colombo
19. Dewan S. and Kraemer, K. L (2000), Information technology and productivity: Evidence from country-level data, management science, 46, 4, PP 548 – 562.
20. Detragaiche, E and Gupta, P (2004), foreign banks in emerging market crisis: Evidence from Malaysia. IMF World Bank paper WP/04/129 (Washington-2004)
21. Funke N and Nsouli S.M (2003), the new partnership for Africa's development (NEPAD): Opportunities and challenges. IMF, Washington DC. IMF Working paper No. 03/69
22. Gabriele, A. and Boratav, K, and Parikh, A (2000),” Instability and volatility of capital flows to developing countries “. The World Economy 23:1031-1056, published by SAGE.
23. Galbis, V (1993): High real interest rates under financial liberalization: Is there a problem? IMF working paper no93/7, Washington D.C
24. Glesne, C., and Peshkin, P (1992): Becoming qualitative researches: An introduction. New York, NY: Longman.
25. Haroon ,Y (2004), “Pakistan 's mobile cellular policy: Comparative analysis of policy approaches for telecoms competition “ .Institute of Communication Technologies (ICT) , Working paper no.YH-001-2004

26. Hawkins, J and Mihaljek, D (2001), The banking industry in the emerging market economies: Competition, Consolidation and Systemic stability: An overview, BIS paper, 2001.
27. Hoepfl, M.C (1997): Choosing qualitative research: A primer for technology education researches. *Journal of Technology Education*.9(1),47-63
28. Hyuha, M et al (1993): Scope, Structure and Policy implementations of informal financial markets in Tanzania, African Economic research consortium, research paper No18
29. International Monetary Fund (IMF) country specific report No07/17 (2007)
30. Jeppesen S. and Mainguy C. (2007), Foreign Direct Investment in Africa. Searching for impact in Mali and South Africa. Centre for Business and Development Studies, Denmark.
31. Kamel, S ,(2007), The evolution of the ICT industry in Egypt ,in :Science ,technology and sustainability in the Middle East and North Africa, Ahmed, A (Ed), Brighton; Inter science Enterprises limited,65-79
32. Kamel, T (2006), Egypt reforms :An update from ICT sector ,www.mcit.gov.eg
33. Kamel, T (2007), Egypt is moving fast in IT. Newspaper article.
34. Khan, H. A, (2007), Is privatization in Pakistan purposeful? Pakistan Institute of Development Economics , Working paper, July,2007
35. Kodakandi, V et al (2006), An economic development model for IT in developing countries, *Electronic Journal of Information systems in Developing countries*, 28, 7, 1 – 9.
36. Kolo, T (2006), Analysis of strategic issues in institutionalizing a financial system approach for microenterprise development in Africa, *Managerial Finance*, vol.32, no.7, pp594-605.
37. Kragelund, P (2007); Foreign Direct Investment in Africa, Report from the Danish Institute of International studies.
38. Krueger, R and Casay, M (2000): Focus group: A practical guide for research, 3rd Ed.
39. Kyaw, S (2003), FDI in developing countries in the globalised world. Paper presented at the DSA conference. University of Strathclyde, Glasgow

40. Lindent, P and Jefferson W (2001):"Does Globalization make the world more unequal" NBER Paper no 8228.
41. Mantinez-Diaz, L (2007), Banking sector opening: Policy questions and lessons for developing countries. The Brookings Institution, Washington D.C
42. Mlambo, K and Oshikoya, T.W. (2001), Macroeconomic factors and investment in Africa. *Journal of Africa economies*, 10:12-47
43. Mahesh, H.P and Bhide.S (2008), Do financial reform make commercial banks more efficient? A parametric exploration of the Indian case. *The journal of applied economic research*, 2008, 2,415.
44. Mbarika V.W. et al (2003), Predictors of Growth of teledensity in developing countries: A focus on middle and low-income countries, *Electronic Journal of Information systems in developing countries*, 12, 1, 1 – 16.
45. Miaoulis G and Michener, R, D (1976); *An introduction to Sampling*, Dubuque, Iowa, 1976.
46. MIGA Report –Conflict affected countries ,World Bank group, April (2008)
47. Morawczynski,O and Ngwenyama,O,(2007), Unravelling the impact of investments in ICT, Education and Health development: An analysis of the archival data of West African countries using regression splines, *Electronic Journal of Information Systems in Developing countries* ,29,5,1-15.
48. Murinde, V (2009), Global financial crisis: implications for Africa financial system, paper prepared for European development report (ERD) (2009) conference on financial markets adverse shocks and policy responses in fragile countries, 21-23 May 2009, Accra, Ghana.
49. Musila J. W. and Sigue P.S, (2006), Accelerating foreign direct investment flow to Africa: from policy statements to successful strategies. *Managerial finance* Vo. 32 No. 7.
50. Nenty,J.H (2009): *Writing a quantitative research Thesis*, Educational foundations, P.Bag UB0702,University of Botswana,
51. Turner, N et al (2008): *Policy brief*: United Nations University.
52. Onoh, J.K (1992): *Money and Banking in Africa*. Longmans. London

53. Onyeiwu, S. and Shrestha H. (2004), Determinants of foreign direct investment in Africa, *Journal of Development Societies* 20: 89, Published by SAGE. challenge of economic development in; Africa E-markets
54. Oshikoya,T.W and Hussain,M.N,(2007); Information technology and the information and economic development ,Economic Commission of Africa,43-76
55. Patton, M.Q (2002): *Qualitative evaluation and research methods* (3rd Ed). Thousand Oaks, CA: Sage publication
56. Pilat,D,(2001), The economic impact of ICT on forms and economies ,WSIS connecting the world , The world Summit on the information society ,Geneva
57. Pohjola D. (2001), *Information technology and economic growth: A cross-country analysis*, information technology, productivity and economic growth, Oxford University, 242 – 256.
58. Poverty Reduction Strategy Paper(PRSP): Sierra Leone Review report,(2007)
59. Reisen, H and Solo, M (2001), Which type of capital inflows foster developing country growth? *International finance*,4(1), pp1-14
60. Reinhart, C and Ioannis, T (2008): Before and after financial liberalization, MPRA Paper no 6986, Munich, Germany. Available from <http://mpra.ub.uni-muenchen.de/6986>
61. Samaan, M, (2003), “The effect of income inequality on mobile phone penetration “ Boston college, Honours Thesis, Department of Economics.
62. Salman, A (2007), *Telecoms liberalization in Pakistan; implications for common man*.
63. Samuel, J et al, (2005), *Mobile communication in South Africa, Tanzania and Egypt*. *Inter media* 33(3),32-42
64. Sierra Leone Education Sector plan: A road map to a better future 2007-2015
65. Soyibo, A (1996), 'The transmission of investment in Nigeria', working paper, World Bank.

66. Soyibo A (1997), "Financial liberalization and bank restructuring in sub Saharan Africa, some lessons for sequencing and policy design" journal of African economies vol.6, pp100-150
67. Statistic Sierra Leone: Executive summary of Population and Housing census conducted in 2004
68. Steinmueller, W.E (2001); ICT's and the possibilities for leapfrogging by developing countries ,International Labour review ,140,2,193-210
69. Steven, M and Tarr, D (1999): "Adjusting to trade policy reform" World Bank policy research working paper no. 2142.
70. Stiglitz, Joseph , (2002) Globalization and its discontents, penguin books
71. Strauss, A and Corbin, J; Basic of qualitative research: Grounded theory procedures and techniques. Newbury Park, CA : Sage publications, Inc
72. Summer, A (2005), " Can we conceptually link FDI and capabilities Poverty?", Paper presented at the 11th EADI general conference on insecurity and development, regional issues and policies for an independent World, Bonn,
73. The New Partnership for Africa's development base document, October 2001
74. The New Partnership for Africa's development (NEPAD) declaration on Democracy, Political, Economic and Corporate governance.
75. UNCTAD report, (1999), Foreign Direct Investment in Africa; Performance and Potential. New York; United Nations publication
76. UNCTAD report, (2006a) World Investment report 2006: FDI from developing and Transition economies implication for Development, New York & Geneva.
77. UNCTAD report, (2007), World Investment Report – TNC's in Extractive Industries and development, New York; United Nations.
78. UNCTAD report (2008), World Investment Report, TNC's and the International challenges.
79. UNCTAD report (2009), World Bank report

80. UNICEF Statistics (2008); Poverty facts and statistics
81. UNCTAD report 2009a
82. Wad, P and Jeppesen, S, (2006), 'Development strategy, industrial policy and cross border inter firm linkages'- Transnational corporations and local firms in developing countries. Copenhagen Business school press, Copenhagen ,pp 311-338
83. Wint, A.G and Williams D.A (2002), Attracting FDI to developing countries. A changing role for government? International Journal of public sector management .vol.15,no.5,2002
84. Wint ,A.G (1998), " The role of government in enhancing competitiveness in developing economies: selective functional intervention in the Caribbean", International Journal of Public Sector Management, vol. 11 no.4,pp281-299
85. World Bank report (2009), Doing Business report, published by the World Bank, Washington D.C.
86. The World Bank, World development report 2000/2001: Attacking poverty. Oxford University Press; 2001.
87. World Bank report (2003), Information and communication technologies; A World Bank group strategy
88. World Bank, Globalization, Growth and Poverty: Facts, Fears and an agenda for action forthcoming.

Appendices

Appendix 111

QUANTITATIVE RESEARCH QUESTIONNAIRE

Thesis Title: socio economic impact of Foreign Direct Investment (FDI)
in Sierra Leone

Code Number:

Region..... Locality/Township.....

Sector: Banking

General Information:

1. Interviewer' Name:
2. Date of Interview:
3. Name of interviewee:
4. Marital Status:
5. Contact Details:
6. Gender of Interviewee: Male Female
7. Age profile:
 1. 18-28yrs
 2. 29 -39yrs
 3. 40 -50yrs
 4. 51 -61yrs
 5. 62+yrs
8. **What is your level of Education?**
 1. No formal school
 2. Primary school
 3. Secondary school
 4. Polytechnic
 5. Tertiary

Research Questions

Q1 What is your source of Income?

1. Employee Main Type of Job:
2. Self Employed Main Type of business:
3. Others (specify):

Q2 What is your average monthly income (Currency is the Leone-\$1=le4000)

1. Below 499, 000
2. 500,000 - 999,000
3. 1,000,000 - 1,499,000
4. 1,500,000 -1,999,000
5. Above 1,999,000

Q3 Do you use the services provided by any bank?

1. Yes
2. No

Q4 If yes, which Bank(s) do you use?

1. Sierra Leonean Bank (SLCB, RCB, UTB)
2. Nigerian Bank (Access, Zenith, FI Bank, GTB. PHB, Sky, UBA)
3. British Bank (SCB)
4. Malaysia Bank (ICB)
5. Pan – African Bank(Eco bank)

Q5 How long have you been using Banking services?

1. 0 – 2 yrs
2. 3 – 5 yrs
3. 6 – 8 yrs
4. 9 – 11 yrs
5. above 12yrs

Q6 What type(s) of account do you operate?

1. Current
2. Savings
3. Others

Q7 What is the nature of the account?

1. Personal
2. Business
3. Family Saving
4. Salary
5. Others (specify)

Q8 Why have you decided to use the bank(s) you are using?

1. Convenient location
2. Safety of funds
3. Bank reputation
4. Efficient service
5. Low service charge

Q9 What are the main services that you use? (You can choose more than one)

1. Loan
2. Overdraft
3. Contract finance
4. Bank guarantee services
5. Children's saving
6. Others (specify)

Q10 What type of customer care service do you receive from your bank (s)?

1. Prompt and efficient service
2. Long waiting hours
3. Inefficient service
4. Transaction errors
5. Excessive bureaucracy

Q11 Are you aware of that there are many banks now in the country?

1. Yes
2. No

Q12 In which order will you rate the benefits of these many banks?

1. Creates competition
2. Improved productivity
3. Create jobs
4. Inflow of financial capital
5. Attracts investors

Q13 How has the many banks affected you or your business?

1. Provision of working capital support
2. Provision of short term loan for business
3. Provision school/educational support
4. Provision of car loan
5. Provision Housing and furniture loan

Q14 what risk(s) do you think that these banks bring to the economy?

1. Money laundering
2. Increase use of fake currency
3. Movement of drugs money
4. Movement of cash across the west coast
5. None
6. Others(specify)

Q15 Are you aware of the electronic banking services in your bank?

1. Yes
2. No

Q16 Which of the electronic banking services do you use?

1. ATM Banking
2. Mobile banking
3. Internet banking
4. none
5. Others (specify)

Q17 What level of interest rates do you enjoy for borrowing?

1. Still high
2. Lower than before the influx of banks in the country
3. Low
4. Very low

Q18 What level of interest rates do you enjoy when saving?

1. Still high
2. Lower than before the influx of banks in the country
3. Low
4. Very low

Q19 Have you ever benefitted from lending money to execute a contract?

1. Yes
2. No

Q20 what type of project did you lend money for?

1. Community based project
2. Importation of goods
3. Building contract
4. IT project
5. Supply contract
6. None

Appendix 1V

QUANTITATIVE RESEARCH QUESTIONNAIRE

Thesis Title: socio economic impact of Foreign Direct Investment (FDI) in Sierra Leone

Code Number:

Region..... Locality/Township.....

Sector: Telecommunications

General Information:

1. Interviewer's Name:

2. Date of Interview:

3. Interviewee's Name:

4. Marital Status:

5. Contact Details:

6. Gender of Interviewee: Male Female

7. Age Profile:

1. 18-28yrs
2. 29 -39yrs
3. 40 -50yrs
4. 51 -61yrs
5. 62+yrs

8. **What is your level of Education?**

1. No formal school
2. Primary school
3. Secondary school
4. Polytechnic
5. Tertiary

Research Questions

Q1 What is your source of Income?

1. Employee Main type of Job:
2. Self Employed Main type of business:
3. Others (Specify) Specify:

**Q2 What is your average monthly income? (Currency is the Leone-
\$1=Le4000)**

1. Below 499, 000
2. 500,000 - 999,000
3. 999,000 – 1,499,000
4. 1,499,000 – 1,999,000
5. Above 1,999,000

Q3 How many of you live in your household? (Not visitors)

Q4 What is the age split in the household?

1. Children below 18
2. Adults (18 and above)

Q4 What is your relationship with the head of your household?

1. Parents
2. Husband/Wife
3. Son/Daughter
4. Relative
5. Others (specify)

Q5 Which of the following does your household have?

- | | | |
|----------------------|-------|------|
| 1. Electricity | yes-1 | No-2 |
| 2. Fixed phone lines | yes-1 | No-2 |
| 3. Internet | yes-1 | No-2 |
| 4. Television | yes-1 | No-2 |
| 5. Radio | yes-1 | No-2 |
| 6. Refrigerator | yes-1 | No-2 |
| 7. Vehicle | yes-1 | No-2 |
| 8. Running tap water | yes-1 | No-2 |

Q6 How many members of your household have a mobile phone?

Q7 Which of the following means of communication is available to you?

1. Fax
2. Fixed telephone line
3. Mobile phone
4. Email / Internet

Q8 Which one of the available means of communication do you use most often?

Q9 When did you first acquire a mobile phone?

Q10 Why did you buy a Mobile phone? (You can choose more than one answer)

1. To communicate with family members at home and abroad.
2. To do business
3. To keep in touch with friends
4. To be contemporary in terms of life style
5. It was a gift

Q11 How do you get money to maintain your mobile phone?

1. From Salary
2. Support from family members
3. Parents/lunch allowance
4. From business/trading activities
5. Boyfriend/girlfriend

Q12 How much do you spend on your mobile phone per month (Currency is the Leone-\$1=Le4000)

1. Below 99,000
2. 100,000 – 199,000
3. 200,000 – 399,000
4. 400,000 – 499,000
5. Above 499,000

Q13. Is the cost of running a mobile phone comparable to the benefits?

1. Strongly agree
2. Agree
3. Disagree
4. Strongly disagree
5. No opinion

Q14. What is the order of the type of calls you make in a day?

1. Business / Official
2. Communication with friends and family
3. Rental calls (payment to make a call)
4. Communication with relations abroad
5. Emergencies

Q15. What is the order of the benefits of mobile phone to you?

1. Improved standard of living
2. Brought family closer
3. Increase business profitability
4. Reward from corporate promotions
5. Made friends/increased association

Q16. How important is your mobile phone to you?

1. Very important
2. Important
3. Can't do without it
4. Not important
5. not very important

Q17. If you have Le 40,000 (equivalent of \$10) what will be the order in which you will spend it?

- | | |
|------------------------|--------------|
| 1. Mobile phone top-up | 2. Food |
| 3. Entertainment | 4. Education |
| 5. Family | 6. Clothing |
| 7. Shelter | 8. Lottery |

Q18 To what extend has mobile phone influenced the following:

		Not applicable	No Influence	Influence	Large Influence
1	Increased social support for family				
2	Increased financial support from family members				
3	Saving on traveling time				
4	Increase cost savings in business operations				
5	Reduced cost of traveling				
6	Ability to secure relevant business information				
7	Improves on productivity of business				
8	Increase speed of communication – get immediate answers				
9	Improves Communication with government offices				
10	More frequent contacts with friends & relatives				
11	Help in case of Emergencies				
12	Access to Health Assistance				
13	Access to education				
14	Improved information flow - including deaths, marriages, births and future events				
15	Security risk information flow				

Q19 If you lose your mobile phone how will it impact on your economic/business activities?

1. Will not be able to continue
2. Would continue but with difficulty
3. Operational cost will increase
4. No opinion
5. No difference

Q20. Mobile phone makes people forgo other things?

1. Strongly agree
2. Agree
3. Disagree
4. Strongly disagree
5. No opinion

Q21 What is your opinion about the tariffs of telecoms operators?

1. Very expensive
2. Expensive
3. Affordable
4. cheap

Q22. What is your view about the value added services of telecoms operators?

1. Innovative
2. Too many
3. Confusing
4. Useful
5. Don't use them

Q23 What is your view about the quality of service offered by telecoms operators?

1. Very reliable
2. Reliable
3. Average
4. Unreliable

Q24 Since you started using mobile phone please indicate which of the following has got better

1. Health of family members
2. General security of neighborhood
3. Your household income
4. Your level of knowledge and education
5. Relationship with your family

Q25 What is the most important contribution that mobile phone has made to your community.

1. Communication
2. Family ties
3. Business
4. Employment
5. Other (specify)

