



INFLUENCE OF THE GOVERNMENT REGULATORY ENVIRONMENT ON THE BUSINESS OPERATIONS OF COMPANIES IN ZAMBIA

Francis Sinzala,
Texila American University,
Zambia.
EMAIL - sinzalaf@yahoo.com

ABSTRACT

The chief motivational forces for globalization are the huge economies of the world, western countries and Multinational companies (MNCs). The study set out to create the impact of government regulatory environment on the business operations of MNCs in Zambia. The study involved the analysis of the different types of laws that govern the operations of MNCs in Zambia, how these laws affect their business operations when compared to their local rivals. For this purpose, literature review was done for the study A trend analysis was set on the basis of which a descriptive analysis was conducted to determine the influence of the legal environment. An overall analysis showed that MNCs operate in a complex legal environment characterised by their home and host country laws. This regulatory environment impacts their competitiveness and governance and as a consequence, these MNCs face some limitations that do not affect the local companies. These MNCs have setup structures to ensure completeness and consistency with these set of laws. The research however, established that some of these MNCs do not have internal legal departments. The research was also able to establish that Zambia borrow a lot from the home country regulations of these MNCs for purposes of reinforcement of governance.

Keywords:

Manufacturing Multi-National Corporations, Zambia,
Foreign Direct Investments (FDI), Gross domestic Product (GDP),
Economic Growth.

INTRODUCTION

1.1 Background of the Study

A multinational corporation (MNC) is a commercial concern with set-ups in more than one country. Its head office are located in one country, that is, the home country but its activities are

spread over in the host countries. MNCs engaged in various activities like exporting, importing, manufacturing in a global environment unacquainted in Political, Economic, Social, Cultural, Technological, and Legal aspects (Gactaern, P76).

The MNCs create operations in several nations through Foreign Direct Investment (FDI). MNC operations can come in different systems and their legal treatment may vary from those of local firms. The market segments served by MNCs are areas where the MNCs have a clear competitive advantage. One of the key reasons for MNCs to enter a new economy is to expand customer base for its products and services.

Every company doing business overseas faces numerous legal issues. The MNC faces issues raised by the local and host country laws, regional regulations or directives, bilateral and multilateral treaties and international standards and certifications. It is against this background that the study on the legal and regulatory environment in which MNCs operate and the influence of this environment on their operations will be undertaken. The study will focus on the MNCs in Lusaka, Zambia.

International Business Environment

International business means the trade of goods across the border. These business activities may be government or private enterprises, here the national boarder is crossed by activities like manufacturing, construction, agriculture, banking, insurance, health, education, transportation, communication, and mining. The international business environment is defined as the environment in different countries, with factors exogenous to the home environment of the organisation, influencing decision making on resource use of capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal, technological, ecological and historical environments (John ,2008). Further, the international environment consists of the interactions between the local and foreign environmental forces, and between the foreign environmental forces of two countries when an affiliate in one country does business with customers in another (Geringer, 2012).

A business enterprise which goes for international business has to go for a very wide and long view before making any decision. It has to refer to social, political, historical, cultural, physical, geographical, ecological and economic aspects of the country where it is doing business. To

function effectively and efficiently, companies operating internationally must understand the social environment of the host country they are operating in.

The political environment in a country influences the legislations and government rules and rules under which a MNCs operates. The economic environment relates to all the factors that contribute to a country's attraction for MNCs.

Every country in the world follows its own structure of law. An MNC operating in that particular country has to accept the system of laws as long as it is operating in that country. This is because different legal structures are operated by different nations and they all contrast from each other.

The presence of diverse legal structures makes the task of MNCs more tough as they have to follow legal provisions of the two countries as regards their business operations. The technological environment comprises factors related to the resources and technology used in developing goods and services. As firms have no control over the exterior environment, their achievement depends on how well they adapt to the exterior environment. A firm's ability to design and adjust its internal variables to take advantage of chances offered by the exterior environment and its ability to control dangers posed by the same environment, determine its accomplishment.

MNCs follow three common procedures to access markets: merger with or direct acquisition of existing concerns; sequential market entry and joint ventures. Merger or direct acquirement of existing companies allows MNCs especially bigger ones to take full advantage of their size and economies of scale (Brooks, 2011). Chronological market entry often includes FDI and comprises creation or acquisition of firms operating in role markets associated to the mother corporation's product lines in the new country of operation (Covalence, 2010).

Legal and Regulatory Environment of foreign firms

As originally noted, the political environment in a state influences the state regulations were an MNC branch is. All the nations follows there own ways of regulations and MNCs operating within it has to abide by these laws for as long as it continues to operate there. According to (Daniels , 2011), the law environment make up the many international and domestic regulations controlling how MNCs operate. The law environment is also classified as domestic, host and global environments. The local environment specify that a institution must follow the regulations in the domestic country. These include laws regarding exportation of products including those

forbidding certain goods to certain countries (Gactaern, 2010). The first area falls under the header administrative law. This is the law pertaining to rules set down by any of the numerous agencies and departments created to administer state or domestic law.

Another domain comprises legal law. This is the legal document enacted by the legislative assembly (Richard, 2005). The host environment specify that the Organisation must also abide by the regulations governing business organisations in the host country including labour practices, taxation and environmental protection. The global environment is governed by agreements that state make to govern the flow of trade across national borders. These agreements include; Trade Agreements, Investment Treaties which regulate FDI across borders, these are rules of trade between nation and Multilateral Trade Agreements which are rules of trade between various states (Gactaern, 2012). States competing with each other, following their own self-interest, would presumably arrive at a set of regulations which are internationally efficient. These regulations supply the optimum degree of asset rights security (Joseph, 2007).

Sound business laws are essential for a booming private sphere and a thriving private sphere is important for general development. A key assumption of MNCs is that economic activity requires good regulations. These consider regulations that set up and explain asset rights, cut down the cost of dispute resolutions, raise the certainty of economic interactions and supply contractual partners with center reinforcement against abuse. The aim is to have laws designed to be efficient, approachable to all who use them and simple in their execution. Laws that protect investors help them speedily resolve issues related to their commercial enterprises can be crucial for enterprise creation and survival because they encourage investment, assist smooth enterprise operations and aid viable firms recover if they become bankrupt (Robert, 2006).

The relationship between regulations protecting investors, risk taking and economic growth is measured by variables including the rule of law, disclosure standards and shareholder rights that include minority shareholders.

Multinational Corporations

There are over 40,000 MNCs presently in operation in the world, in addition to approximately 250,000 overseas affiliates running cross continental businesses. Top MNCs have Head Offices in United States, Western Europe and Japan and have the capability to shape international trade, production and fiscal transactions. MNCs are viewed to favor their home operations when

making difficult economic decisions though the tendency is declining as companies are forced to respond to increasing global competition. The World Trade Organisation (WTO), the International Monetary Fund (IMF) and the World Bank are the institutions that underwrite the basic rules of economic, monetary and trade relations between countries. Many less developed nations have loosened trade regulations under pressure from the IMF and the World Bank (World Bank, 2014).

There is a total population of 163 MNCs in Zambia. The MNCs in Zambia have adopted a number of enterprise strategies including: Improved quality, first-class customer service, innovation, differentiation, diversification, cost edged measures, strategic alliances, joint ventures, first-class mergers and acquisitions, as well as lower prices to weather competitive challenges. The most popular business strategies adopted by the MNCs in Zambia are mixed ownership, better quality, lower price, franchising and licensing. These MNCs have played a major role in the nation's economy. They engage in very helpful and productive actions such as creating job opportunities, contributing to fiscal policy and making available a wider range of good quality products. They also contribute to the critical commercial enterprise infrastructure and enormous resources for economic and social growth of the nation (Maliwa and Nyambe, 2015).

Multinational Corporations in Zambia

MNCs are firms which establish operations in more than one Country. Hence, MNCs are in the broad class of FDI.

MNC operations can come in different forms, namely as branch offices, as subsidiaries, as joint ventures, or as strategic partnerships.

Branch offices for instance are an integral part of the mother company, that is, they have no capital of their own. Subsidiaries, however, are their own corporate entities, which are fully owned by the mother company, but working in the host economy. Similarly, joint ventures are separate enterprises owned jointly by more than one mother state.

MNCs are required to follow compliance with the domestic nation laws over and above the regulations formulated by the legislature which are considered as regulations formulated by the host country (Rhoda, 2012).

The Zambian economy has continued to attract the attention of international players, which shows the presence of undeveloped enterprise opportunities in the nation. The entry of global players into the Zambian economy, contributes towards the economic growth of the nation (Maliwa and Nyambe, 2015).

REVIEW OF LITERATURE

Introduction

Literature review is the procedure of reading, analysing, evaluating and summing up academic material about a particular topic. The outcome of a literature review may serve as part of a study article, dissertation, or business proposal. This chapter therefore examines the abstractive basis of regulation and operations of MNCs.

Theoretical Foundation

In legal and economic literature, there is no rigid definition of the word regulation. Some researchers dedicated appreciable attention to the several definitions (Daniels Et al, 2011). In this chapter regulation will be taken to mean the employment of ratified instruments for the execution of social-economic objectives. A symptomatic of legal instruments is that firms can be obligated by state to abide by prescribed behavior under penalty of sanctions. Sanctions can include fines, the publicising of violations, imprisonment, an order to make specific arrangements, an injunction against withholding certain actions, or closing down the commercial enterprise.

A differentiation is often made between economic and social regulation. Economic regulation consists of two types of regulations: structural regulation and conduct regulation (Richard,2005). Structural regulation is used for control market structure. Conduct regulation is used for control behavior in the market.

Economic regulation is mainly used on natural monopolies and market structures with minor competition.

Social regulation consist of monitoring in the area of environment, labour conditions and consumer protection. Public Interest theory directed to the economic explanation of regulation will be discussed.

Public Interest Theory of Regulation.

The first class of regulation theories account for regulation from the point of view of aiming for public interest. This public interest can further be represented as the best possible portion of scarce resources for individual and collective goods. According to public interest theory, government regulation is the instrument for overcoming the disadvantages of imperfect competition, unbalanced market operation, missing markets and unwanted market results. In the first place, regulation can improve the allocation by facilitating, maintaining, or imitating market operation. The exchange of goods and manufacturing factors in markets anticipate the definition, allocation and assertion of individual asset rights and freedom declaration (Holburn and Bennert, 2010). The guarantee of asset rights and any necessary enforcement of contract compliance can be more efficiently organised conjointly than separately. In the second place, regulation is capable of contributing to the standardization of market activity and the earlier accomplishment of market equilibrium. Imbalances within an economy occur at the level of separate markets and on a macro level.

Public interest theory state regulation from point of view not limited to imperfect competition and unbalanced market operation. For a number of explanation why markets may not be present for some goods for which service or the temperament to pay exceeds the manufacturing costs. Markets may not be present as a result of information difficulties and transaction costs in the case of outside effects and public goods. In these cases, regulation can better the allocative efficiency of the economy. Absent markets can be accounted for by concealed information or an irregular distribution of information with respect to prices, quantities or quality of goods (Prinkse et al, 2010). In addition to information non accomplishment, prohibitively high transaction costs can also result in absent markets.

In a market economy, supplies are economically used when the manufacturing of goods is magnified until the marginal cost is equal to the marginal benefits of production.

State and Foreign Multinational Corporations

Most LDCs have taken liberalization and privatization as the base of the strategy for private sector development. Issues of regulatory reform in the LDCs have reached widely from deregulation to creation of new regulatory systems. Most deregulation and regulatory reform has taken place at the sectoral level. In many nations electricity, telecommunications, transportation,

agriculture and banking have been subject to economic deregulation in the form of reduction in entry or exit, streamlining licensing and tariff laws, and price and wage controls. In the decade of the 1990s, issues of trade and investment, access to World Trade Organisation (WTO), diversification of the economic base, and of sustaining and promoting exports led most nations internationally to cut down the burden sectoral economic regulation and strengthen free market regimes. Whereas effective economic and social regulation aims at rising up economic efficiency and promoting social welfare, nevertheless all regulation imposes costs. These take the form of control of the regulatory compliance.

Even though they were considered safe some rules restricted institutional development, regulation takes several ways that is restricted geographic markets for full service and they were also strained on the type of investments allowed and regulations on the range of activities, products, and services offered (Gactaern, 2010). Regulatory set-up need to be reinforced, in line with the demand of a market-led integrated economic system as this highly affect the functionality and productivity of firms (Brooks, 2011). A country's economic growth, may fail without appropriate legal, regulatory control (Covalence, 2010).

The legal environment in which MNCs exist needs a distinct definition on the quality and dynamic role of firms in boosting economic growth and firmness; the structure and scope of firm regulatory schemes; market discipline and enterprise governance; global cooperation in regulation and supervision; potential disputes arising from WTO membership.

The globalization of trade and services has also inflated firms efforts to service customers internationally leading to many MNCs. Nations which have parastatal companies have also been increasingly privatizing a number of them and in some cases has resulted in mergers and acquisitions involving MNCs. These developments raise issues about who should regulate MNCs operating across many national borders, and how such regulation should be conducted (Chen, 2016).

The presence of MNCs can be double sided edged. A large MNC presence may provide host country supervisors with additional challenges in terms of developing a comprehensive understanding of MNCs' operations, and jurisdictional tensions may arise; but MNCs may also "import" effective supervision, in that they may be supervised by the home country supervisor, which may adhere to best practices in supervision in the host country. (Joseph, 2007).

Operations of Foreign Multinational Corporations

The operations that MNCs engage in follow from some of the determinants of their presence. Hoburn and Bennert (2010) analysed the determinants of MNCs presence and their results indicated that host country characteristics, such as real per capita GDP, growth population, size of the sector are not significant in determining the MNC presence, but that lower asset prices, a ready market and competition with other MNCs may matter more than economic fundamentals in attracting MNCs. Generally, their activities are more limited in their scope than those of local firms, and they tend to remain more restricted. In the early stages of MNC operations in a host economy, their operations are limited by a few factors, such as small capital base, insufficient physical and human capital, and unfamiliarity with the host economy.

Over time, all these hurdles may be overcome but in most cases, this leads MNCs to only expand in market segments where they are already active, with the possible exception of strategic partnerships. One of the main reasons for these MNCs to enter a new economy is to provide services to MNCs which are already their customers in other parts of the world. Further, MNCs provide services that other firms are either less familiar with or that they cannot provide.

The evidence suggests that in most cases, MNCs have rarely expanded their activities beyond these market segments. For instance, when competition in traditional MNC market segments increased in Korea in the 1980's, Some MNCs shut down their operations while others expanded their activities where competition were not as fierce, in this case services to high net worth individuals, customized financing packages for corporate clients, or foreign currency loans (Geringer, 2012). Market segments which have so far been largely ignored by MNCs are only getting a second look lately. This evidence on MNC activities confirms some of the findings on determinants of MNC presence.

NEED OF THE STUDY

This study will be highly useful for both current and future Multinational Corporations (MNCs) and the government. This research study on the influence of the government regulatory environment on the business operations of companies in Zambia would have considerable benefits on the MNCs operating within this business environment in that it would;

- I. Help the MNCs become sensitive to the uncontrollable external environmental factors affecting the performance of their businesses and how they can effectively manage these factors and top the opportunities for enhanced productivity and profitability.
- II. To the government; this research will also be useful in formulation of policies towards MNCs development in Zambia. It will also help the government to identify the importance of MNCs in the achievement of economic growth and development in Zambia.

PROBLEM FORMULATION

All nations have guidelines. From regulations governing barter, financial institutions, and education to dangerous material, health regulation, and the state regulations on what will be produced, how it will be produced and often who will be the beneficiary of what. The focus on the connection between restrictive issues and economic growth is relatively new. The globalization of the global economy, associated with the multinational revolution in information, technology and barter in the past few years, has brought in a powerful emphasis on models of sustainable economic growth based on free-market enterprise. The importance of competitiveness on international markets place has led to a need for introducing the regulatory model which would provide the suitable environment for the market forces to thrive.

The legal environment imposes on MNCs numerous rules raised by the home and host nation laws, regional regulations, bilateral or multilateral treaties and international standards. Although, these many restrictions gives a situation for the operation of MNCs, compliance with these set of regulations is important.

MNCs are therefore supposed to function in a legal environment characterised by these complex set of laws and ensure legal consistency and legal completeness with these laws. Legal consistency is a property that declares enterprise policies to be free of contradictions with the applicable laws, regulations and business rules. Legal completeness on the other hand is a property that declares enterprise policies to cover all scenarios suggested by law. Completeness suggests that there are no scenarios covered by the law that cannot be implemented in an enterprise. In addition it implies that all scenarios not allowed by the law are not allowed by the enterprise. An issue however arises as to the influence of this regulatory environment on the business operations of the foreign MNCs and this therefore calls for a review of this environment

on the business operations of MNCs in Zambia with a view to determining the associated challenges and making necessary recommendations to foster their business.

The regulatory authority is presently undergoing a cardinal change, in response to the recent fiscal crisis, regulators across the globe are focusing on a programme of more robust supervision of all firms whilst also introducing a raft of new regulatory initiatives to bolster the regulatory framework. A strong focus on improving transparency in demand and supply and consumer security are cardinal to the new rules and updates to existing laws that are bearing down on the industry. No firm is immune from the need for constant change and renewal. Failure to adapt to the changing regulatory requirements could have serious impacts for firms, both in their relationship with the regulator and expected sanctions imposed by the regulator (Lu, 2012).

The MNCs in Zambia have to ensure that they do not conflict the home country laws while at the same time enforcing conformity with the host nation rules. They should observe prudential rules made by the parent country and host government. The study will give the differences in these regulations, areas of conflict, similarities in the same and the influence that such a regulatory environment has on the commercial enterprise operations of the MNCs.

A lot of research conducted locally has mainly focused on the influence of the Political and Technological environment on operations of firms in general. Further study has focused on marketing, innovation and growth strategies on commercial enterprise operations. On the issue of regulation of MNCs, there has been little research.

At the international level, study has been done on the effect of MNCs on economies of host nations. MNC entry rises market discipline, the efficiency of local firms (Pinkse Et al, 2010). Others however, argue that increasing MNC presence may lead to local firms to be competitive but for riskier projects as they become less prudent in their activities under mounting competitive pressures (Tian, 2018). On the regulation aspect, research has been done on the effectiveness of regulation in LDCs (Spencer Et al, 2005).

There is a gap in regard to research on the effect of the legal environment on the enterprise operations of MNCs. This environment is compound and is defined by regulations by home and host country laws. This study will therefore look at the effect of the legal environment on the enterprise operations of MNCs. This was noted as a gap in as far as local research studies are

concerned. This therefore leads to the question; what is the effect of the legal and regulatory environment on the commercial enterprise operations of MNCs in Zambia?

OBJECTIVES OF THE STUDY

The following is the research objectives:

1. To determine the effect of the legal and regulatory environment on the enterprise operations of MNCs in Zambia.
2. To establish the nature of regulatory environment
3. To establish the expectations of Multinational Corporations (MNCs) from the regulatory environment

RESEARCH METHODOLOGY AND DATA SOURCES

Introduction

This chapter sets out the outline of methods of collection, measurement and data analysis. The chapter describes the methods that will be employed in providing answers to the research objectives as stated in chapter one. The following aspects of research methodology are discussed; research design, population, sample data, collection and data analysis.

Research Design

This study adopted a cross-sectional descriptive research design. Cross sectional studies are also known as cross-sectional analyses. That was appropriate for this study because all the banks forming part of the population to be studied were studied at the same time to enable comparison. The study aimed at collecting information about the foreign MNCs in Zambia. The subject of discussion was not manipulated in any way.

Target Population

The target population for a survey is the entire set of units for which the survey data are able to make inferences. The target population defines those units for which the findings of the survey are meant to generalise. It is the group about which the study wishes to draw conclusions. Four MNCs in Lusaka were selected for this study.

Data Collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic manner that enables one to answer stated research questions, test hypotheses, and evaluate outcomes. The goal for the data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed. Since the population targeted was a small one, the study covered all the four firms. The study was therefore a census one. Data for the study was collected from specific officials of the firms.

For each of the MNCs, the officials targeted for information were the Company Secretary or Legal Managers and in their absence the Risk and Compliance Managers. Information was collected mainly through secondary sources. Secondary data is the data that has already been collected from other sources and is readily available. Secondary sources of data are usually publicly available. The secondary sources included published reports and papers as well as the media. Primary data was used and was collected using a structured questionnaire (appendix I). The structured questionnaire was administered through the drop and pick later method Survey Monkey. The option of secondary data was selected because it is cheaper and readily available in instances where primary data cannot be obtained at all.

Data Analysis

Data analysis is the process of inspecting, cleaning, transforming and modeling data with the aim of discovering useful information, suggesting conclusions, and supporting decision making.

The collected data was edited for consistency and completeness and statistical methods were used in analysis. Quantitative classification of data was done and use of graphs, charts and tables was adopted in data presentation. Qualitative data was also analysed. That was done through the development of a thematic framework from key issues, concepts and themes. Descriptive statistics was used in analyzing data. All the collected data was interpreted, explained and recommendations derived therefrom.

DATA ANALYSIS AND INTERPRETATION

Introduction

This chapter contains the findings of the study based on the data collected from the field. The study sought to find out the influence of the Government regulatory environment on the business

operations of MNCs in Zambia. The data was analysed and information presented in form of, pie charts, bar graphs and cross tables.

Response Rate

The study targeted a sample of 8 foreign MNCs in Zambia. There was 100 % response rate making it a good response rate for analyzing and reporting. Secondary data comprising of published reports, media publications on the MNCs, articles and information on the websites for the MNCs was also utilized as a source of data.

Demographic Information

The study focused on 8 MNCs and descriptive analysis was done to represent some of the information. This was on the basis of the Nature of Regulatory Environment, Effectiveness of the Regulatory Environment and Governance of the MNCs.

Nature of the Regulatory Environment

The 8 MNCs home countries are as illustrated in table 4.1.

The study sought to establish whether the home country regulations on companies affected the business operations of the MNCs located in Zambia and according to the findings of the study; those regulations affect the business operations of the MNCs.

Table 4.1 Home country of each foreign multinational bank. Bank

	Home Country
Total	France
Illovo	South Africa
Unilever	Netherlands
Barclays Bank	UK
Lafarge	South Africa
Walmart (Game)	USA

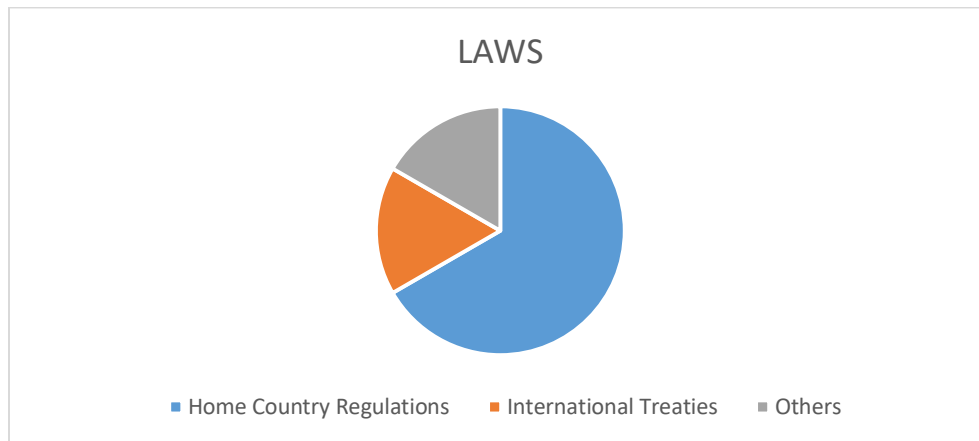
StarTimes

China

Texila American University

India

Various laws that govern the operations of Multinational Corporations



From Figure 4.1 all the MNCs however, comply with all the host country regulations.

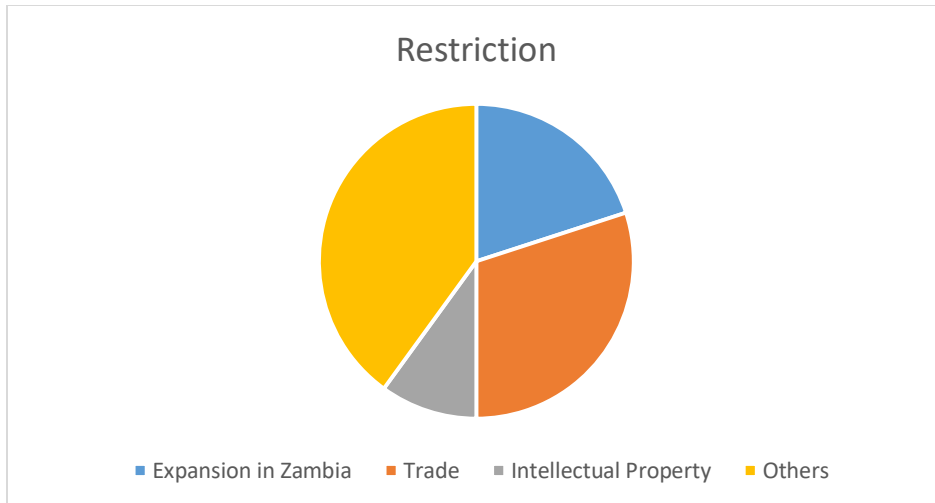
Compliance with the home country banking regulations is over and above the host country regulations and it is done through the development of in-house policies.

Influence of the Regulatory Framework

The study sought to establish the nature of the regulatory environment for the MNCs and it was established that the regulatory environment for the MNCs is complex. These MNCs have to comply with home country and host country regulations on their operations.

This environment therefore influences their competitiveness, flexibility of the MNCs in terms of product development and innovation when compared to the homegrown companies. The pie chart below illustrates some of the areas where the MNCs face restrictions in their business operations because of the nature of their regulatory environment.

Areas where Multinational Corporations face restrictions in business

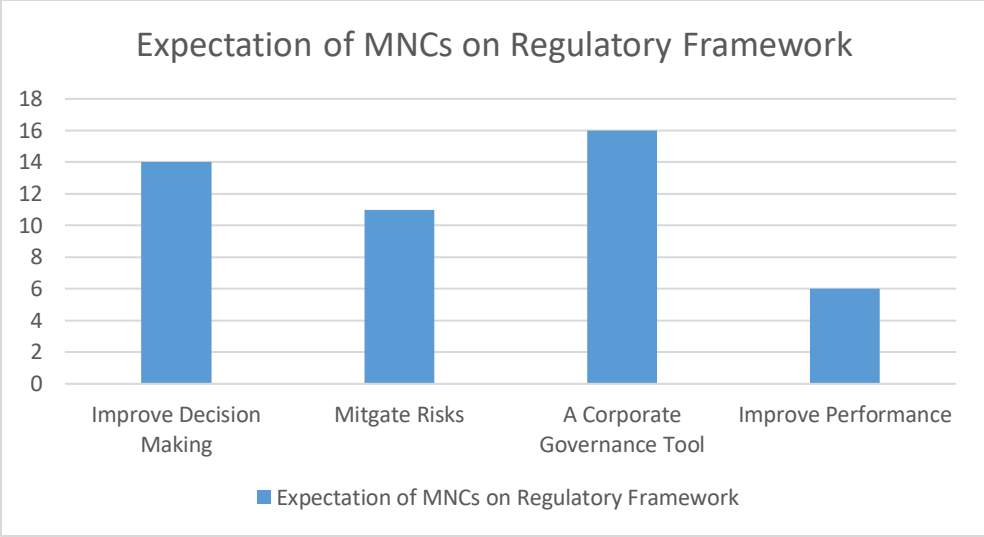


The research noted that the regulatory environment influences the performance of the MNCs, their decision making process, how they allocate resources, product innovation and their corporate governance. These MNCs therefore expect the regulations to act as a corporate governance tool, improve performance, mitigate risks, avoid penalties, reduce financial losses, and improve decision making and resource allocation.

Regulations and Guidelines issued by the government of Zambia subject companies certain requirements, restrictions and guidelines. That regulatory structure creates transparency in corporate operations.

The research also sought to establish the expectations of the MNCs from the regulatory environment. The findings indicated that the expectations vary from one bank to the other but they revolved around the expectation to reduce losses mitigate risks, enhance corporate governance and innovation and avoiding penalties.

Expectations of the Multinational Firms from the Regulatory Environment



Source: Research

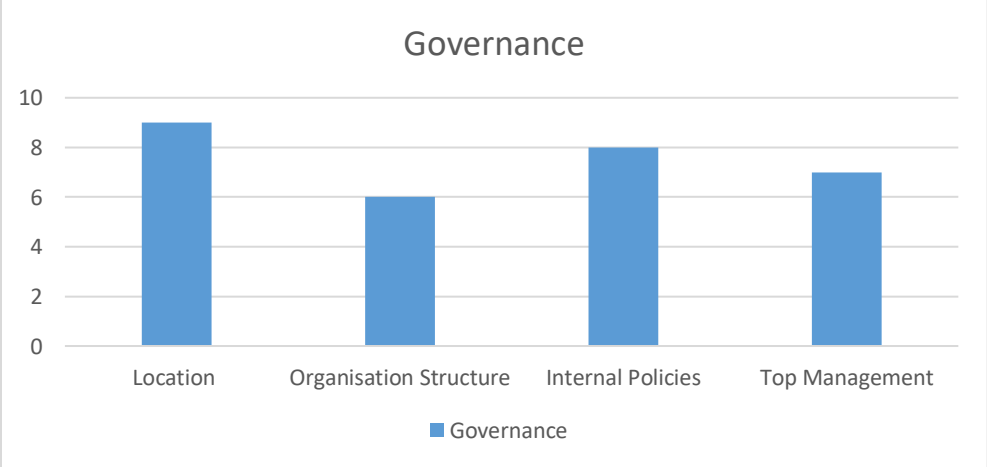
The research further established that regulatory environment was being fairly effective in as far as it enables the MNCs to achieve their objectives; however the environment limits the competitiveness of the s in some of the areas illustrated in Figure 4.2 above.

Governance of the Foreign Multinational Firms

The research also aimed at establishing the influence of the regulatory environment on the governance structure of the MNCs in Zambia and the findings indicated that the governance of the MNCs is influenced by the home country regulations although modified to suit the requirements of the host country regulations in terms of governance.

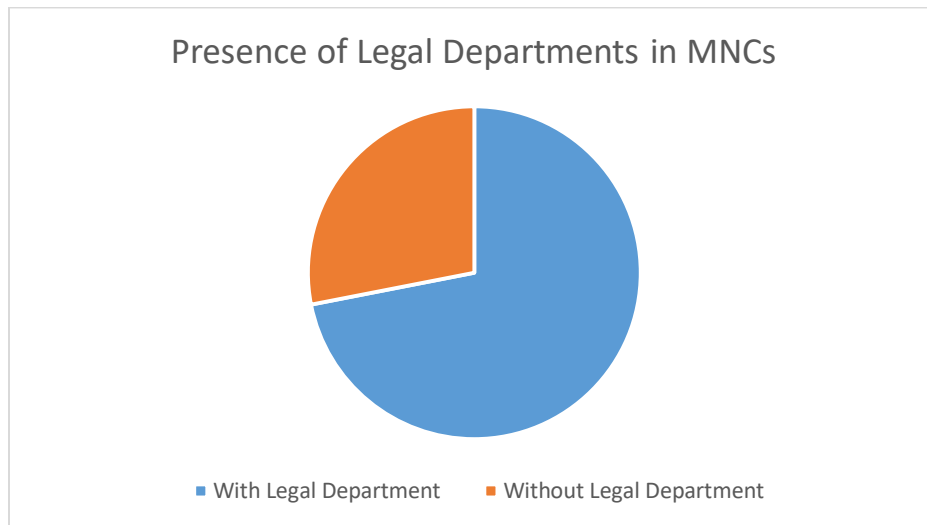
The findings are illustrated in the figure below.

The influence of the home country laws on the governance of MNCs



Research was also conducted to establish whether all the MNCs had in-house legal departments. The findings indicated that some of the MNCs do not have in-house legal department that addresses legal matters that arise in the ordinary course of business.

The presence of legal departments in the MNCs



Discussion

The study mainly sought to establish the influence of the legal and regulatory environment on the business operations of MNCs in Zambia. According to the findings of the study, the MNCs operate in a complex regulatory environment when compared to their local rivals. The complex regulatory environment is characterised by the regulations for the home country, regulations for the host country.

The research findings indicated that the MNCs face restrictions in various areas of their business. It was established that some of these banks are for example restricted in terms of opening bank accounts for politically exposed persons and operating bank accounts for Government entities because these persons are likely to be appointed as signatories. This is the case despite the fact that the Government controls about 60% to 70% of the National Expenditure. This in essence implies that there are products that local rivals can develop targeting the Government and PEPs that some of the MNCs may not be in a position to develop and offer.

This explains the reason why some of the MNCs have resolved to open fresh turf war with the local rivals as was established during the research. Zambia's highly competitive market is headed for a major shift as local units of MNCs stage a major comeback to claw back the huge market

share they have ceded to local rivals. Findings of this study also indicated that the governance of the MNCs is also affected by the home country regulations. It was noted that the parent company plays a key role in making major decisions that affect the foreign MNCs in Zambia. It was further noted that there is a conflict in terms of regulatory compliance when it comes to statutory reporting. Whereas the local firms are guided by local laws the MNCs are guided by local laws and that of home laws. The research established that the MNCs have numerous compliance responsibilities imposed by the nature of their regulatory environment but they nevertheless ensure consistency and completeness with both the home country and host country regulations. This poses more challenges to those MNCs that do not have an in-house legal or compliance department.

CONCLUSION

This study was carried out to examine the determinants of FDI inflow in Zambia. The study reviewed relevant theoretical and empirical literatures on FDI. The OLS multiple regression technique was used to investigate the extent to which GDP, trade liberalisation, human capital accumulation, infrastructural development and macroeconomic stability impact on FDI inflow and p-value and t statistics tests were done to test the hypotheses.

Limitations

The study only included companies in Zambia that engage in FDI by acquisition or Greenfield investments. The companies that engage in licensing or franchising were not included in this research. The study did not look at specific industries but is rather of a general nature containing undertakings from all industries.

Conclusions and contribution of the study

The results of the study showed that there is positive relationship between human capital accumulation and FDI while GDP, trade liberalisation, infrastructural development and macroeconomic stability had no causal relationship with FDI. Thus, the Zambian economy benefited less from the inflow of FDI into the country during the period under consideration. As stated in the literature, positive effects of FDI are guaranteed. The lack of a positive impact of FDI on economic growth in Zambia could be caused by failure to focus on some of the conditions set for ensuring successful positive use of FDI as shown in the literature.

This study achieved its goals by revealing the key determinants of FDI. In this line of thinking, this management report, as stated in the theory contribution section, appeals to public policy decisions on the need to improve human capital stock, public infrastructure, trade liberalisation and macroeconomic environment in order to enhance Zambia's image as an investment destination. The study can also serve as a framework for other researchers that wish to examine the subject.

REFERENCES

- AFDIEA. (2001). The Foreign Direct Investment in Africa. Africa Region Working Paper Series.
- Brooks, I. (2011). 'The International Business Environment', in The International Business Environment: Challenges and Changes. 2nd ed. Harlow: Financial Times Prentice Hall, pp. 1–31.
- Chen, Y. (2016). Legal Application of Environmental Tort Liability Issues of Multinational Corporations. Journal of Beijing Institute of Industrial Technology, vol.15, pp.123-128.
- Covalence, S. A. (2010). Multinational Corporations and Global Governance. Geneva: Claire Holland.
- Daniels, John D., Radebaugh, Lee H. and Sullivan, Daniel P. (2011). International Business Environments and Operations. 13th ed. Harlow: Pearson Education.
- Dunning, John. (1998). "Location and the Multinational Enterprise: A Neglected Factor?" Journal of International Business Studies 29 (1): 45–66.
- Gactaern, O. (2010). The Political, Economic and Legal Environments of International Business. Retrieved from Gactaern organization: <http://gactaern.org/unit>

Geringer, J. M. (2012). Nature of International business. Ohio: McGraw-Hill Higher Education.

Gu, H. and Yan, F. (2009). An analysis of environmental legal liability in multinational corporations' investment: A perspective of solving the problem of damage to the host country.

Political Law Series, vol.5, pp.97-101.

Holburn, Guy L. F., and Bennet A. Zelner. 2010. “Political Capabilities, Policy Risk, and International Investment Strategy: Evidence from the Global Electric Power Industry.” Strategic Management Journal 31 (12): 1290–315.

John D.; Daniel P.; Sulli L.; Radebaugh, H. (2013). International Business: Environment and Operations. New York: Pearson International. 38

John, L., K. L., and Y., B. (2008). Corporate Governance and Risk-Taking. Journal of Finances 53(4): 1679-1728.

Joseph. S. (2007). Regulating Multinational Corporations: Towards Principles of Cross-border Legal Frameworks. Washington, D.C: American Society for International Law.

Lu, G. (2012). Research on international environmental responsibility mechanism of multinational corporations, in: Journal of Chongqing University (Social Science Edition), vol.18. pp.94-99.

Maliwa, E. and Nyambe, J. (2015). Investigating the impact of FDI on Economic Growth in Zambia: 1980 –2012. Business, Economics and Accountancy, 3(3), pp.41.

Mark A. Smith (2000). American Business and Political Power: Public Opinion, Elections and Democracy, University of Chicago Press.

Margaret, O., & Martin, O. (2012). Influence of Power Distance on Employee Empowerment and MNC Performance. Education Research Journal.

Pinkse, Jonatan, Matthias J. Kuss, and Jolker H. Hoffmann. 2010. "On the Implementation of a 'Global' Strategy: The Role of Absorptive Capacity." *International Business Review* 19 (2): 160–77.

Richard Lehne (2005).Government and Business: American Political Economy in Comparative Perspective,2nd ed, CQ Press.

Robert Langran and Martin Schnitzer (2006). Government, Business and the American Economy,2nd ed, Rowman and Littlefield

Rhoda, L. W. (2012). Multinational Corporations. Free Trade. *African Journal of Accounting, Economics, Finance and Banking Research* Vol. 4. No. 4., 2009.

Spencer, Jennifer W., Thomas Murtha, and Stefanie A. Lenway. (2005). "How Governments Matter to New Industry Creation." *Academy of Management Review* 30 (2): 321–37.

Tian,J. (2018). Environmental Human Rights in the Context of Fundamental Rights. From the Dilemma of Legalizing Environmental Rights. *Human Rights*, vol.03, pp.117-126.

World Bank Group (2014). Doing business 2014 comparing Business Regulations for Domestic Firms in 189 Economies: Understanding Regulations for Small and Medium-Size Enterprises. Washington, DC: World Bank Group Corporate Flagship, 11th Edition.