



Foreign Direct Investment, Public Sector Venality and Entrepreneurship Development in Developing Countries

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Received: 21 June 2022

Accepted: 02 September 2022

DOI: <https://doi.org/10.32479/ijefi.13586>

ABSTRACT

This paper evaluates the relationship between foreign direct investment (FDI) and entrepreneurship development in developing countries. The paper also analyses the intervening effect of public sector venality jointly with the FDI's effect on entrepreneurship growth in developing countries. The paper applied a quantitative research method. Secondary data collection covered 9 years (2016-2019). Data related to FDI were collected from the World Bank database while data for public sector corruption were collected from the Transparency International Corruption Index. Data related to entrepreneurship development were collected from the Global Entrepreneurship Monitor (GEM) reports. The sample consisted of nine developing countries which resulted in 36 observations. Data were analysed with the application of fixed effect regression. The results showed that foreign direct investment positively predicts entrepreneurship development in developing countries. Additionally, the findings showed that public sector venality negatively affects entrepreneurship growth in developing countries. The practical significance of these findings includes the need for developing countries to place pragmatic emphasis on the continuous attraction of foreign direct investment to accelerate the positive spill-over effect of foreign direct investment on local entrepreneurs, which comes with skills and technology advantages – amongst others. There is a dire need for governments in developing countries to rethink their approach toward eradicating public sector venality, which this research has confirmed as inimical to the nurturing and development of local entrepreneurship. This paper recommends an agenda for further research to explore the current model by including more samples and more time series in future analysis models.

Keywords: Foreign Direct Investment, Entrepreneurship, Developing Countries, Employment, Public Administration

JEL Classification: L26; F21; F23; D73

1. INTRODUCTION

Entrepreneurship is increasingly gaining prominence globally (Herrington and Coduras, 2019). This is because the public sector cannot keep pace with labour supply, resulting in unprecedented unemployment levels in most developing countries (Madzivhandila and Musara, 2020). As such, entrepreneurship is considered a key strategy to boost economic growth due to the linkages in economic activities (Madzivhandila and Musara, 2020). President Cyril Ramaphosa also emphasized this view in his SONA speech of 2022 (Meyer and Meyer, 2022). In this case, President Cyril Ramaphosa indicated that the private sector, through small business activities, is responsible for creating jobs

while the government enables such activities to thrive (Meyer and Meyer, 2022). Essentially, entrepreneurship is premised on aiding developing economies to reduce poverty, unemployment, and income inequality (Musara et al., 2020), given that it is associated with innovation and creativity currently lacking in the public sector. Nevertheless, entrepreneurship development is still relatively low in developing countries compared to developed countries (Rajamani et al., 2022). This is worrying, given that most developing countries experience severe socio-economic problems (Dvoutely and Orel, 2019). With the coming of Covid-19, most developing countries' economies weakened severely, exposing citizens to a myriad of economic hardships. The authors of this paper believe that entrepreneurship can play a critical role in

revitalizing developing economies and redirecting the economies to the projected fast growth. For this to happen, entrepreneurship drivers should be clearly identified, assisting policymakers to work with what can bear the expected results. Historically, developing countries have used funds generated locally to steer economic growth (Asongu et al., 2018). However, this has never achieved the expected milestones as entrepreneurs in developing countries continue to struggle to raise capital (Osano and Koine, 2016). As such, the lack of startup capital remains one of the top challenges facing entrepreneurs in developing countries (Atiase et al., 2018).

In this study, the researchers identify foreign direct investment (FDI) as a sustainable source of startup capital for local entrepreneurs. The argument is that developing countries receive impressive amounts of FDI annually (Asongu et al., 2018). Hence, leveraging this strategy can bring a turning point in entrepreneurship development in developing countries. Tülüce and Doğan (2014) concur and express that FDI is an essential source of capital for entrepreneurs. FDI is also credited for skills development and new technology spill-overs, which can enhance the competitiveness of local entrepreneurs (Magombeyi and Odhiambo, 2017). FDI also enhances business innovation and creativity, which are vital aspects of entrepreneurship, especially from a developing country's perspective (Sivalogathan and Wu, 2014). Hence, if it can be established that FDI enhances entrepreneurial activity, it can aid developing countries in crafting policies that attract FDI into their countries. Nevertheless, other country-specific factors such as public sector corruption (Puiu, 2015) can also influence the growth of entrepreneurial activities in developing countries. For instance, the public sector level of transparency regarding the disbursement of funds meant for developing entrepreneurs can affect total early-stage entrepreneurial activities in developing countries (van den Berg and Noorderhaven, 2016). The argument is that public administration officers are the custodian of funds meant for any form of development in the country (Williams and Martinez-Perez, 2016). Nevertheless, several developing countries continue to battle issues of corruption where public funds are misused (Ezebile et al., 2019). The public officials are often involved in initiating bribes (Puiu, 2015), misusing the public office for their gains, and state capture, among others (Lekubu and Sibanda, 2021). Existing findings regarding corruption and entrepreneurship development are inconclusive. Other scholars believe that corruption greases entrepreneurial activities (Oladotun and Shakir, 2021), while another strand of scholars argues that corruption is detrimental as it retards growth in all economic activities (Audretsch et al., 2021). Hence, it is crucial to uncover the effect of public sector corruption on entrepreneurship development in developing countries.

There is limited research regarding the importance of FDI towards entrepreneurship development in developing countries (Herrington and Coduras, 2019). In South Africa, only one study by Nxazonke and van Wyk (2019) investigated this relationship. The limitation of this study is that it only focused on South Africa. The present research nuances itself by linking FDI and entrepreneurship development using several developing countries. Additionally, this study tests the effect of public sector corruption on entrepreneurship development within developing countries. This study generates new empirical evidence that

governments in developing countries can use to negotiate terms favouring entrepreneurship development when signing investment agreements with Multi-National Companies (MNCs). The findings of this study also generate economic data, which can be helpful for policymakers and academia for future research. Therefore, this paper aims to evaluate the relationship between foreign direct investment (FDI) and entrepreneurship development in developing countries. Furthermore, the article analyzes the intervening effect of public sector venality jointly with the FDI's effect on entrepreneurship growth in developing countries.

2. LITERATURE REVIEW

2.1. Entrepreneurship Development in Developing Countries

The concept of entrepreneurship is widely acknowledged as a critical driver of economic performance (Madzivhandila and Musara, 2020). Many scholars have explored this concept in developed and developing countries. They have confirmed that it is helpful at an individual level or when entrepreneurship occurs within a corporate setting (Abdelkafi and Refas, 2021). Based on that understanding, developing countries have started initiating and implementing this strategy in their search for sustainable solutions to their socio-economic challenges (Hamdan et al., 2021). Ideally, entrepreneurial activities can help developing countries attain sustainable development goals (Abdelkafi and Refas, 2021). This view is supported by Neumann (2021), who reported that entrepreneurial activities could contribute at a macro level if well harnessed. On that account, Neumann (2021) argues that scholars should not adopt a simplistic approach when reporting on the impact of entrepreneurial activities. The authors of this article express that the debate about entrepreneurship should shift from whether it works to how best this strategy can be deployed? This is because entrepreneurship can bring the much-desired economic transformation in developing countries (Gindling and Newhouse, 2014). Entrepreneurs efficiently mobilize and utilize resources compared to the public sector (Hamdan et al., 2022). This means developing countries can attain massive strides in dealing with issues such as unemployment and poverty because entrepreneurs are known to creatively balance these resources to create new ventures which are engines of economic activity (Hamdan et al., 2022). Nasrallah and El Khoury (2022) draw attention to the larger share of jobs created by small businesses to justify the reason why governments in developing countries should leverage and harness the potential of entrepreneurs.

Essentially, entrepreneurs are known for introducing new technology and innovation, which boost productivity at the country level (Schumpeter, 1942). The innovation can be in the form of new production processes and products that can be competitive in foreign markets (Schumpeter, 1942). If an enabling environment is created, entrepreneurs can develop and broaden the private sector needed for economic renewal (Derbali and Lamouchi, 2021). Abdelkafi and Refas (2021) believe that entrepreneurship can help developing countries be resilient in times of uncertainty, such as the Covid-19 pandemic. Thus, entrepreneurial activities can help absorb the shocks of the pandemic on a relatively shorter turnaround time compared to large businesses (Abdelkafi and Refas, 2021). Other studies report that entrepreneurship in

developing countries is critical for local economic development, which could be challenging to attain with only public sector parastatals (Mwatsika, 2022). In this case, Neumann (2021) reasons that policy makers must distinguish between progressive and weak entrepreneurs to achieve the expected impact from funding entrepreneurs.

Notwithstanding their crucial role towards economic renewal, entrepreneurs in developing countries operate under several constraints, resulting in most of them failing to attain the expected impact (Mwatsika, 2022). Among other factors, the World Bank (2021) submits that most formal and informal small businesses are still struggling to access funding to establish and grow their businesses. There has been an ongoing conversation regarding this challenge for the past decade, but nothing has changed as many small businesses are still financially excluded (Rajamani et al., 2022). According to Rajamani et al. (2022), this retards progress in pursuing growth as most small businesses struggle to raise capital to fund their operations. Another study by Hamdan et al. (2022) expressed that most entrepreneurs are under-capacitated, yet the government and other stakeholders expect much from them. Entrepreneurs operate under red tape, poor infrastructure, and weak institutions that struggle to create an enabling environment for entrepreneurial activities to bud and blossom (Hamdan et al., 2022), causing a high business discontinuance rate in developing countries. On that account, other scholars such as Abdelkafi and Refas (2021) express the view that policymakers should identify key determinants influencing entrepreneurship in their countries. This is crucial because each developing country has unique circumstances based on its culture, policies, and level of institutional development (Aparicio et al., 2022). Likewise, Jabeur et al. (2022) argued that countries should also pay attention to factors in the macro-environment when trying to find ways to boost entrepreneurship. A significant number of studies predominantly focused on the individual factors to understand entrepreneurship development (Jabeur et al., 2022).

2.2. Foreign Direct Investment Inflows in Developing Countries

As indicated by Asongu, Akpan, and Isihak (2018), most Multi-National Companies from developed economies prefer to invest in developing countries because of the size of the market in these countries. Several developing countries have liberalized their economies to attract more FDI (Anetor et al., 2020). For instance, African countries have enacted the African Continental Free Trade Agreement (AfCFTA) to facilitate trade amongst themselves (Anetor et al., 2020). Asongu et al. (2018) also noted that developing countries in the BRICS and the MINT (Mexico, Indonesia, Nigeria, and Turkey) had developed favourable policies to attract FDI. Such a move toward enhancing trade openness was based on the understanding that FDI can help these developing countries solve their economic problems.

Generally, most developing countries record a significant proportion of FDI inflows each year (World Investment Report, 2013). These usually flow from developed countries compared to their other developing counterparts. According to the World Investment Report (2013), developing countries received more

than 50% of the FDI in 2012. It is reported that the FDI was more pronounced in fast-growth economies in the BRICS and MINT (Mexico, Indonesia, Nigeria, and Turkey) (Asongu et al., 2018). According to Asongu et al. (2018), the FDI inflows continued to rise from 2001 to 2012 in both the BRICS and the MINT developing countries. In 2018, FDI inflows to Africa grew by 11% from the previous year. More pronounced growth was recorded in Sub-Saharan and Southern Africa (World Economic Report, 2019). This positive trend was also noted by Sookram et al. (2022), who reported that FDI inflows in Sub-Saharan Africa have been growing exponentially from 1970-2019.

Interestingly, Zhenwei et al. (2021) noted that FDI inflows from other African countries and Asia also boost FDI in Africa. Ideally, FDI from Asia, mainly China, has increased to challenge FDI inflows from Europe, which has been dominant for a long time (Zhenwei et al., 2021). Nevertheless, it remains questionable regarding the extent to which this FDI is transforming the economies of these developing countries (Moran et al., 2017). Accordingly, Moran et al. (2017) argue that developing countries should thrive on attracting quality FDI rather than just quantity. FDI must be tailored to the developmental needs of the host country (Moran et al., 2017). A study by Zhenwei et al. (2021) noted that developing countries could benefit immensely by leveraging on FDI to rebuild their economies post the Covid-19 pandemic.

2.3. Theoretical Framework and Hypothesis Development

2.3.1. Foreign direct investment and entrepreneurship development

The positive and negative spill-over effects hypothesis better explains the relationship between FDI and local entrepreneurship development. These are contrasting views on the effect of FDI on local entrepreneurship development. As such, each viewpoint is supported by a strand of scholars. Other studies have contrasted knowledge spill-over and crowding effects theories to help understand the link between FDI and local entrepreneurship development (Pathak, Laplume and Xavier-Oliveira, 2015). This paper's scope is to cross-examine this relationship from a developing country perspective. This is crucial as the study's context may affect the link between these two variables (Pathak et al., 2015).

Considering the positive spill-over effects hypothesis, Albulescua and Tămășilăa (2014) assessed the effect of FDI on entrepreneurship development using 16 European countries. Interestingly, the study indicated that inward FDI positively predicts entrepreneurship development. The study emphasized that it is mainly opportunity-driven entrepreneurs who benefit most from FDI inflows. Nxazonke and van Wyk (2019) also concurred and reported that FDI positively boosts entrepreneurship in the host country. The study established that FDI predicts entrepreneurship development in both the short and long-run periods. Their analysis made pertinent recommendations for the host country to create an enabling environment for start-up businesses. Onwuka and Chigozie (2014) assessed the link between FDI and domestic entrepreneurship. Employing time series data from 1990-2013, the study found that FDI significantly predicts entrepreneurial

development. The authors emphasized that FDI inflows capacitate local entrepreneurs through knowledge transfers, capital, and new technology. This shows that local entrepreneurship can blossom given that the government creates a conducive environment that does not expose young entrepreneurs to unfair competition from MNCs. Osano and Koine (2016) assessed the link between FDI and technology transfer in Kenya. The study found that FDI is crucial in developing local businesses through new technology spill-overs. Furthermore, the authors submitted that developed countries have advanced technology that can uplift African small businesses' competitiveness. This is because new technology can enhance efficiency among local companies. It should be also noted that new technology is at the heart of entrepreneurship as it spurs creativity in this sector.

On the other hand, the negative spill-over effects hypothesis argues that FDI can negatively affect entrepreneurship development due to crowding out (Budang and Hakim, 2019). Furthermore, the existing literature shows that well-established MNCs may force nascent entrepreneurs out of business through aggressive marketing and low prices since they enjoy economies of scale (Misra et al., 2014). These local entrepreneurs still find it hard to occupy strategic marketplaces where they can easily attract customers.

All in all, this study argues that FDI inflows can unlock several opportunities for local entrepreneurs. These include access to new technology, gaining critical skills that can help them successfully run their businesses, and subcontracting opportunities that offer them sustainable markets for their products and services. Other opportunities may include exploiting the supply chain networks established by Multinational Companies. Other scholars also support this view. For example, Tran and Le (2019) also assessed the effect of FDI on entrepreneurship development within emerging markets. Even though the study indicated that governance issues are also vital to this relationship, it was established that inward FDI spurs entrepreneurial growth in emerging markets. FDI enhances business innovation in the entire supply chain. This is achievable through new business ideas, process innovation, and the adoption of cutting-edge technology (Loukil, 2016). Alzaidy et al. (2017) concur and assert that FDI enhances technological developments, which augments efficiency. This is one of the critical drivers of entrepreneurship development. Entrepreneurs will likely benefit from spillover effects from FDI inflows (Loukil, 2016). Entrepreneurs can benefit significantly from foreign investors' world-class standards and skills (Diyamett and Mutambla, 2014). Msweli (2015) remarks that FDI allows for a smooth transfer of technology and other advanced industrial skills from foreign firms to the local populace. Consistent with the positive spill-over hypothesis, the authors of this study advance the argument that host countries can benefit immensely from negotiating FDI terms inclined towards boosting local entrepreneurial businesses. Ideally, if well harnessed, FDI has the potential to promote entrepreneurship activities in developing countries. It is from this background that the following hypothesis is stated;

H₁: Foreign direct investment positively predicts entrepreneurial development within selected developing countries.

2.3.2. Public sector venality and entrepreneurship development

Public sector corruption is a global phenomenon, even though the corruption level differs from country to country (Sartor and Beamish, 2020). The Transparency International Corruption Index (2021) also further clarified that the types of corruption in each country may also vary besides different levels of corruption. Regardless of the class, Sartor and Beamish (2020) argued that corruption weakens the ability of nations to meet sustainable development goals. In this case, corruption threatens humanity and should be dealt with effectively (Sartor and Beamish, 2020). Sadly, the incidences of corruption are relatively higher in developing countries than in developed ones (Transparency International Corruption Index, 2021). The Transparency International Corruption Index (2021) further noted that countries in Sub-Saharan Africa still need to commit to efforts to eradicate corruption as the public sectors in these countries still rank high in terms of corruption. Corruption thrives in countries with no accountability for those involved in such acts (Bitterhout and Simo-Kengne, 2020). The worst part is that corruption is often normalized in some countries, making it difficult to deal with (Fleming et al., 2022).

The public sector has a bearing on entrepreneurial activities since the government, through its different institutions and workers, is responsible for setting and implementing policies to boost business activities (Bitterhout and Simo-Kengne, 2020). Public administration is a crucial determinant of entrepreneurial activities. This is because it provides the context through which entrepreneurial activities occur (Oladotun and Shakir, 2021). Broadly, the public administration is responsible for implementing public policy (Audretsch et al., 2021). The public administration is responsible for creating a climate that can create pull or push factors for entrepreneurs (Audretsch et al., 2021). Audretsch et al. (2021) further noted that corruption weakens the effectiveness of government support programmes toward entrepreneurship development. Specifically, corruption may increase the cost of doing business for entrepreneurs who are forced to pay exorbitant bribes to secure a contract. Due to the rent-seeking behaviour of some public office officials (Lekubu and Sibanda, 2021), corruption may end up depriving entrepreneurs of essential resources meant to aid them in growing their businesses. Another view is that public sector corruption can discourage potential investors interested in investing in high-growth entrepreneurial companies (Ezebilo et al., 2019). This affects entrepreneurs because they require funds to expand their businesses (Alsagr and van Hemmen, 2021). Hence, it can be argued that corruption in most developing countries has retarded progress in entrepreneurship development. Building on a study by Audretsch (2021), who empirically found that corruption negatively affects the activities of opportunity and necessity entrepreneurs, we argue that corruption is a barrier to entrepreneurship development in developing countries. The view that corruption greases the entrepreneurship development wheel is detrimental to entrepreneurship development because bribes exhaust a business's cash flows, resulting in failure. Therefore, we hypothesize that;

H₂: Public sector corruption negatively influences entrepreneurship development within selected developing countries

3. METHODOLOGY

This study is conducted within the developing country context. According to OECD (2020), developing countries are confronted with many developmental challenges, making them lag in terms of sustainable development. This means effective policies to resolve such issues ought to be contextualized to these countries' developmental stages and needs (OECD, 2020). The current study used a quantitative research method using panel data collected from 2016-2019. In this case, secondary data was collected for 4 years from 2016-2019. Data related to FDI was collected from the World Bank database from 2016-2019. Additionally, data related to corruption was collected from the Transparency International Corruption Index from 2016-2019. On the other hand, data related to entrepreneurship development was collected from the Global Entrepreneurship Monitor (GEM) reports from 2016-2019. Only developing countries which consistently participated in the GEM from 2016-2019 were considered. The sample consisted of 9 developing countries. This resulted in a panel of (9x4) giving 36 observations. To measure entrepreneurship development, the researchers used each country's Total Early-Stage Entrepreneurial Activity. Public sector corruption was measured using a corruption perception index compiled by the Transparency International Corruption Index. Net inflows (% of GDP) was used to measure FDI. The data were analysed with the application of fixed effect panel regression, and the results are presented in the following sections.

4. RESULTS AND DISCUSSION

The analysis was conducted at two levels; the first level in Table 1 evaluated the relationship between foreign direct investment and entrepreneurship development in the sample of developing countries. Therefore, Table 1 results sought to test research hypothesis 1.

The results show that at an alpha level of 0.05(5%), FDI influences entrepreneurship development with a P-value of 0.00226 and a positive coefficient of 2.33166. As hypothesized earlier, this

shows that, within the sample of this study, FDI has a significant and positive relationship with entrepreneurship development in developing countries. This finding corroborates the earlier findings (Diyamett and Mutambla, 2014 Nxazonke and van Wyk, 2019), who found that local entrepreneurs benefit from skills introduced by foreign investors. Likewise, Osano and Koine (2016) found that FDI is crucial in developing local businesses through new technology spill-overs from Multi-national companies. Furthermore, the findings concur with the positive spill-over effects hypothesis theory (Albulescuab and Tămășilăa, 2014).

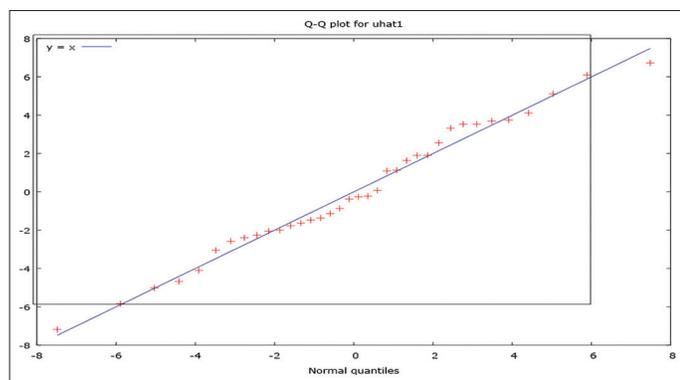
Table 2 presents the second-level analysis, wherein we introduced the effect of public sector corruption into the analysis to see if the result supports hypothesis 2, which asserts that public sector corruption negatively influences entrepreneurship development in developing countries. Tested at an alpha of 0.05(5%), public sector corruption produces a P-value of 0.00493 with a negative regression coefficient of -0.4111. Figure 1 presents the Q-Q plots, showing the close relationship between FDI, public sector corruption, and entrepreneurship development in developing countries. Accordingly, this finding confirms research hypothesis 2, which asserts that public sector corruption negatively influences entrepreneurship development within selected developing countries. Table 2 also shows that public sector corruption limits the efficacy of FDI on entrepreneurship development; this is visible from the somewhat reduced significance level of FDI with the introduction of public sector corruption in Table 2. This finding regarding the negative effect of public sector corruption on entrepreneurship confirms the results of earlier researchers such as Ezebilo et al. (2019), who opine that public sector corruption can discourage potential investors interested in investing in high-growth entrepreneurial businesses in developing countries. Other findings show that public administration is essential for entrepreneurship given that it provides the nurturing for entrepreneurship through its institutions (Bitterhout and Simo-Kengne, 2020; Oladotun and Shakir, 2021). Therefore, weakened public institutions would yield a counter result on entrepreneurship development, as demonstrated in Table 2 of these results.

Table 1: Model 1: Fixed-effects, using 36 observations

Included 9 cross-sectional units				
Time-series length = 4				
Dependent variable: Ent_Develop				
	Coefficient	SE	t-ratio	P-value
const	8,4305	1,68661	4,9985	0,00003***
FDI	2,33166	0,68843	3,3869	0,00226***
Mean	13,50833	S.D.	5,082877	
dependent var		dependent var		
Sum squared	558,7188	S.E. of	4,635643	
resid		regression		
R-squared	0,382117	Adjusted	0,168235	
		R-squared		
F (9, 26)	1,786577	p-value (F)	0,119403	
Log-likelihood	-100,4401	Akaike	220,8802	
		criterion		
Schwarz	236,7153	Hannan-Quinn	226,4071	
crit				
rho	0,002487	Durbin-Watson	1,456827	

Table 2: Model 1: Fixed-effects, using 36 observations

Included 9 cross-sectional units				
Time-series length=4				
Dependent variable: Ent_Develop				
	Coefficient	Std. Error	t-ratio	P-value
const	25.1063	5.60156	4.4820	0.00014***
FDI	1.48062	0.658168	2.2496	0.03352**
PublicCor	-0.4111	0.133293	-3.0842	0.00493***
Mean	13.50833	S.D.	5.082877	
dependent var		dependent var		
Sum squared	404.7259	S.E. of	4.023560	
resid		regression		
R-squared	0.552417	Adjusted R-squared	0.373384	
F (10, 25)	3.085555	-value (F)	0.010792	
Log-likelihood	-94.63623	Akaike	211.2725	
		criterion		
Schwarz	228.6912	Hannan-Quinn	217.3520	
crit				
rho	-0.230945	Durbin-Watson	1.855128	

Figure 1: Q-Q plots – showing close relationship between the variable

5. CONCLUSION

This paper evaluated the relationship between foreign direct investment (FDI) and entrepreneurship development in developing countries. The study also broadened the analysis further by introducing the intervening effect of public sector venality jointly with the FDI's effect on entrepreneurship development in developing countries. This approach became apposite given the apparently slight prior literature on the combined effect of FDI and public sector venality on entrepreneurship in developing countries. Overall, this paper contributes a novelty, which is different from prior research approaches, by introducing the effect of public sector corruption in developing countries on entrepreneurship development. The public sector venality was worth investigating because essential local support to entrepreneurship development often comes from the government sector institutions. Hence, a weakened public sector efficiency via venality becomes a point of concern that runs counter to the objective of growing nascent entrepreneurship in developing countries using foreign direct investment.

Given the aim of the research, it proceeded to test the two research hypotheses which are: (1) Foreign direct investment positively predicts entrepreneurial development within selected developing countries, and (2) Public sector corruption negatively influences entrepreneurship development within selected developing countries. The findings from Tables 1 and 2 confirm the research hypotheses and show that foreign direct investment positively predicts entrepreneurship growth in developing countries and that public sector corruption negatively affects the much-desired entrepreneurship development. The practical significance of these findings includes the need for developing countries to place pragmatic emphasis on the continuous attraction of foreign direct investment to accelerate the positive spill-over effect of foreign direct investment on local entrepreneurs, which comes with skill and technology advantages – amongst others. There is also a dire, urgent need for governments in developing countries to rethink their approach to plummeting and possibly eradicating public sector venality, which this research has confirmed as inimical to nurturing local entrepreneurship. The ubiquity of public sector venality also fractures the effectiveness of foreign direct investment, as this research has shown that, in the presence of public sector venality, the functional effect of FDI is weakened (Table 2 – with reduced P-value of FDI). This is because the public

institutions are responsible for managing foreign direct investment, hence, ostensive venal activities in managing FDI would impede the actualization of desired entrepreneurship development. This paper opens an agenda for further research to expand this inquiry by including more developing countries and more time series in the analysis to see how the results can hold with more samples and years into the analysis.

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