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Advancing the Growth of Foreign Direct Investment Equity Inflow Amid Covid-19 Pandemic: An Exploratory Study of South Africa Context

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Abstract

The objective of this study was to investigate the challenges to FDI inflows and the enabling factors to accelerate the growth of FDI inflows to South Africa amid the Covid-19 pandemic. An exploratory literature review strategy was used to develop comprehensive logical ideas towards the growth of FDI inflows against the backdrop of the Covid-19 outbreak in the country. The study establishes a decline in economic activity due to lockdowns, decreased mergers and acquisitions, and a reduction in mineral export revenue as the challenges from Covid-19 to FDI inflow. South Africa's sound legal framework, availability of high-quality infrastructure, financial system, involvement in strategic economic alliances with other countries coupled with availability of natural mineral resources were revealed as enabling factors for an inflow of FDI. The results intimate to South Africa the need to enhance the enabling factors of FDI and create an environment to attract more FDI inflows further, focusing on favourable tax levies, assurance of safe landing, and more simplified business registration processes for foreign investors. This study highlights the importance of refocusing on FDI's significant contribution to South Africa's economy to address the deleterious effects of the Covid-19 pandemic.

Keywords: *Foreign Direct Investment; Equity Inflow; Covid-19; Challenges and Enablers; South Africa*

1. Introduction to the Study

The value of inward direct investment made by non-resident investors in a particular nation is called the Foreign Direct Investment (FDI) equity inflow (Adebayo, Onyibor & Akinsola, 2021; Choi, Furceri & Yoon, 2021). Similarly, Inward Direct Investment (equity inflow), sometimes referred to as a direct investment in the reporting economy, encompasses all liabilities and assets exchanged between resident direct investment businesses and their direct investors (Mbukanma & Rena, 2021). Thus, it transfers assets and liabilities between resident and non-resident affiliated businesses if the ultimate controlling parent is a non-resident. FDI is generally considered a critical component in stimulating economic development and integrating the economy into the global environment (Adebayo *et al.*, 2021). It is anticipated to contribute more to economic development in emerging nations than domestic investment (Ketteni & Kottaridi, 2019; Dunning & Lundan, 2008). FDI is also seen as one of the most critical channels for countries to access global financing. Although the research on FDI and economic growth is not conclusive, it is nevertheless the case that FDI flows have accelerated in recent years, particularly into developing countries (Businessinsider, 2019). Businesses can increasingly profit from technical labour costs and, more specifically, by indirectly providing goods and services rarely secured in developing markets.

As a result, many theoretical and empirical literature arguments indicate that economic success is linked with large FDI inflows into a nation. However, in the case of South Africa, after a multi-year review of its Bilateral Investment Treaties (BITs), the South African government cancelled all BITs it had signed with European nations, resulting in the 2015 Investment Protection Act. The aim of the Investment Protection Act is, among other things, to safeguard investments following the Constitution in a manner that balances the public interest and the rights and responsibilities of investors (Qumba, 2018). However, a decade before 2020, the South African economy experienced an increasing though fluctuating growth trend of FDI inflow, as shown in Figure 1.

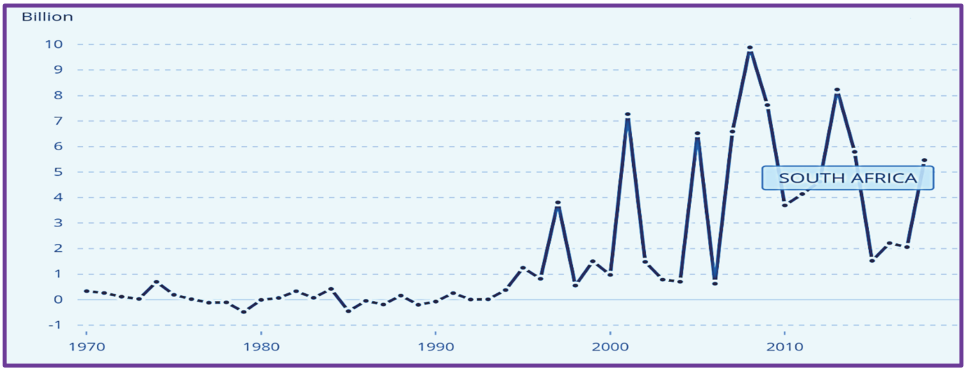

Figure 1: South African Foreign Direct Investment, Net Inflows in US$
Source: Adapted from Data.worldbank.org, 2019

As illustrated in Figure 1, the South African economy has experienced the fluctuating situation of FDI inflow; however, the South African economy saw a 446% increase from 2017 to 2018; this increase attracted a $7.1 Billion (R98.6 billion) in 2018 from $1.3 Billion in 2017 (Businessinsider.co.za, 2019). The impact analysis of this level of FDI inflow found that the South African economy gained in terms of human capital development, technological advancement, and increased market competition. Previous studies such as Adebayo *et al.* (2021) and Mbukanma & Rena (2021) found that FDI can create employment opportunities, increase productivity, increase domestic economic stability, strengthen infrastructure, boost exports, and contribute to long-term economic growth.

Ironically, the third quarter of 2020 saw a decreasing trend of FDI across the globe and in South Africa in particular, owing to the surge of the Covid-19 outbreak (Nawo & Njangang, 2021; Duan, Zhu & Lai, 2020). The Covid-19 (Coronavirus) outbreak is a worldwide shock involving a concurrent disruption of demand and supply in the global economy (Nicola, Alsafi, Sohrabi, Kerwan, Al-Jabir, Iosifidis, Agha & Agha, 2020). Extreme uncertainty regarding the pandemic course, length, severity, and impact resulted in a downward spiral of decreasing market and consumer morale and worsening financial circumstances, which has resulted in job losses and a continual decrease in investment and economic growth (Elliott, 2020; Hawkins, 2020; Tanrıvermiş, 2020). As the death and infection counts rise, worldwide devastation becomes apparent, marking the world's worst economic blow in decades. In line with this scenario, reviving the economy is of the essence, and FDI, among other economic growth engines, was chosen in this study to identify ways it could be advanced amid the Covid-19 outbreak. This was based on the platform FDI provides, which creates employment opportunities, increased productivity, increased domestic economic stability through introducing innovations, expertise and technologies, strengthened infrastructure and boosted exports (Adebayo *et al.*, 2021; Mbukanma & Rena, 2021). Thus, these FDI attributes are considered a vital engine for economic growth, which countries like South Africa need to reignite their economic growth amid the Covid-19 outbreak.

2. Motivation and Objectives of the Study

The global economy has suffered because of the Covid-19 ripple effect, which continues to wreak havoc on different economies. Undoubtedly, the Coronavirus recession is a major ongoing global economic slump that has caused stagnation in most countries. It is the most significant worldwide economic collapse since the Great Depression (Hawkins, 2020). The decline in the global financial market of 2020, which started at the end of February and lasted until March, was the first significant indication of a recession (Elliott, 2020 & Hawkins, 2020). South Africa has been the most affected country on the African continent, with the highest infection rate. As a result, the South African government implemented lockdown rules and regulations to control the spread of the virus. Human mobility was limited, educational institutions were shut down, international and provincial borders were closed, recreational and tourist centres, and most workers were asked to operate from home (Chakraborty & Maity, 2020; Hawkins, 2020; Tanrıvermiş, 2020).

However, these measures to manage the spread of the virus have in return impacted economic activity across the globe, as evidence shows that the control measures have an immediate and substantial impact in all sectors of human and economic survival globally (Chakraborty & Maity, 2020 & Nicola *et al.*, 2020). The consequence of this scenario has caused a significant backdrop on the global supply and demand chain and in South Africa; on the supply side, the virus reduces labour availability and production, businesses are interrupted, and social distances continue to affect supply. On the demand side, layoffs, income loss, disease burdens, quarantine, unemployment, and deteriorating economic outlook limit consumer spending and capital investment.

Nonetheless, there is an urgent need to identify, support, and promote significant national economic growth boosters to revive holistic economic growth and development. There is no doubt about the various economic growth engines that policymakers use to cushion the impact of a deteriorating economic situation (Wu, Yuan, Wang, Cao, & Zhou, 2020). However, the potential of FDI towards economic growth was identified on the platform it provides towards speedy economic recovery, especially during periods of exigency like the current situation resulting from the Covid-19 outbreak (Mbukanma & Rena, 2021). Advancing the growth of FDI within the South African context has become vital because, according to Vukmirović, Kostić-Stanković, Pavlović, Ateljević, Bjelica, Radonić and Sekulić (2021) and Akisik, Gal and Mangaliso (2020), the growth of FDI positively predicts economic growth and development. Thus, this study was conducted to investigate the challenges and enabling factors that may accelerate the growth of FDI in South Africa in the face of the Covid-19 pandemic.

3. Research Methodology

According to Kumer (2019), research methodology refers to the techniques and philosophical ideas used in doing research. It entails the researcher's selection of methods for carrying out a research project; the approach dictates the tools utilised in the study (Yang & Tate, 2012; Leedy & Ormrod, 2010). The tools refer to how the researcher collects, analyses, and interprets data. Perhaps this is conceptual-based research, and as King and He (2005) note, this kind of study employs various research techniques, including narrative review, vote counting, meta-analysis, exploratory review, and descriptive review. An exploratory literature review was conducted for this study. This entailed collecting and synthesising readily available research on a particular topic area. Bennison, Miller, Summers, Minnis, Sussman and McGuiness (2017) and Burns (2017) emphasised the importance of this kind of literature review in sharing with readers the findings of previous research directly connected to the current investigation. As such, this research performed a concise assessment of the previous literature, consulting and acknowledging the work of both domestic and international scholars working within the area of FDI. Thus, the exploratory literature review approach used in this research aided in developing comprehensive logical ideas about the growth of FDI amid the Covid-19 outbreak, with a particular emphasis on the South African scenario.

4. The Growth of Foreign Direct Investment in South Africa

According to Gelb and Black (2000), FDI helped influence the development of the South African economy. Their findings show that South Africa's FDI inflow rose year after year from the mid-1950s to the mid-1970s. In the early 1960s, anti-apartheid demonstrations culminated into the Sharpeville massacre, combined to cause capital outflow. Due to the post-Soweto uprisings, FDI inflows dropped to harmful levels from the mid-1970s until around 1990. From the mid-1980s, a concerted effort was undertaken to keep Multinational Corporations (MNCs) out of the South African economy to punish the Apartheid regime.

FDI is said to have rebooted after the country's first democratic presidential elections in 1994. Nonetheless, FDI inflows remained below par after then, hardly reaching 1% of GDP from 1997 to 1999 (Clark & Bogran, 2003; Gelb & Black, 2000). According to Clark and Bogran (2003), this three-year increase results from two privatisation agreements. Findings from UNCTAD (2003) reveal that FDI inflows to South Africa were US$3.81 billion in 1997. It later increased to US$6.79 billion in 2001 because of a separation of Crosshair Holdings, which had ties to South African corporations, De Beers and Anglo-American. Akinboade *et al*. (2006) ascribe these new values to Rand's depreciation.

Between 2009 and 2013, the ratio of FDI inflows to GDP ranged between 1.0 and 2.6 per cent (Wöcke & Sing, 2013). US$1.72 billion in 2015 but has since risen to more than US$2 billion in 2016 and 2017. In 2018 and 2019, more than $5 billion inflows were recorded. Inflows declined by 39% to $3.1 billion in 2020. According to UNCTAD (2021), these losses are attributed to the Covid-19 pandemic lockdown strategy, local cross-border commerce, and low commodity prices and demand. The attraction and mode of operation of FDI in South Africa have been attributed majorly to government legislation that has guided FDI operations. However, some legislations, policies, and treaties that have played a significant role in the growth of FDI in South Africa are detailed below.

4.1 Black Economic Empowerment Act

New legislation was passed in 2003 to combat poverty and inequality and promote the ownership of the economy of black people in order to correct the one-sidedness generated by the apartheid-era measurement methods. According to Claar & Nölke (2013), this revision was followed by the inclusion of B-BBEE in the Act, which significantly impacted corporate organisations. For example, several multinational corporations were severely damaged by the requirement that firms listed on the Johannesburg Stock Exchange (JSE) increase the percentage of black management, shareholders, and directors (MNCs). Five major corporations have moved to the London Stock Exchange, according to Veloso (2010). From 2005 to 2013, Armstrong, Segal, Davis and Claar (2005) attribute the low amount of FDI into South Africa to the passage of this law.

There has been a rise in disinvestment and a scathing view among international investors about the costs of doing business in the country because of these balancing objectives. Akinboade et al. (2006) argue that complying with the BEE standards increases operating expenses and devalues South African firms' ability to compete internationally. As a result, this policy is seen as a deterrent to the growth of FDI into the country. For instance, Adjarko, Gemadzie, and Agyemuk (2016) found out how Multinational Corporations (MNCs) might give equity equivalent agreements in which there is no part ownership but rather a creation of black-holding joint ventures at a minimum of 25% in South Africa-domiciled entities. However, in trying to empower and enhance black economic ownership, the South African government is stymied by this fact.

4.2 The Promotion and Protection of Investment Act

Following South Africa's withdrawal from all prior international trade treaties, legislation was needed to allow the government to arbitrate on investment disputes and protect local corporate interests. This necessitated the passage of the Promotion and Protection of Investment Act 22 of 2015 (PPIA) to eliminate uncertainties in interpreting previously existing Bilateral Investment Treaties (BITs) and their attendant contradictions with the country's Constitution. The Act allows the government to protect investor rights and duties while keeping the public interest in mind. Right from its preamble, it is evident that the PPIA is cognisant of the responsibility to preserve all stakeholder rights and privileges guaranteed by the Constitution while ensuring a healthy environment for further investment. The Act appreciates the role of investment in the overall welfare of South Africans in connection to employment and the entire country's growth and development.

4.3 South African FDI Treaties

Akinkugbe (2000) chronicles South Africa's engagement in international trade accords after apartheid. The nation was a member of the World Trade Organization (WTO), negotiating multiple trade agreements with European countries that included provisions for untaxed transactions and liberalised trade zones. South Africa's attempts to repair the legacy of apartheid collided with these Bilateral Investment Treaties (BITs), culminating in a precedent-setting court battle in 2007. According to Lang (2013), this international litigation pushed the government to enact the Promoting and Protecting Investment Act 22 of 2015 (PPIA). As Woolfrey (2014) argues, this Act was enacted to preserve FDI that follows the rights and obligations of the state and those of local and international investors without undermining the country's socio-economic objectives.

Since South Africa joined the BRICS group in 2010, Asuelime (2018) predicts that the nation's chances of engaging in free trade agreements or at least improved terms of trade with other BRICS members and other developing economies would increase. The PPIA replaced previous bilateral trade agreements between South Africa and other countries. However, the country now finds itself on the same path by entering into Economic Partnership Agreements (EPAs) that entail associating with other countries in strategic alliances to reap economic benefits. The South African Revenue Services (SARS, 2020) announced that tariff taxes on commerce between African nations that are members of the African Continental Free Trade Area (AFTA) would be abolished or reduced (AfCFTA). The fact that South Africa is a member of the Southern African Customs Union (SACU), which also ratifies free trade agreements with SADC nations, has been added by Devonshire-Ellis (2019).

EPAs have been signed between E.U. member states and the SADC and SACU as well, according to European Commission (2021). It provides updates on the actions of all parties involved in this plan, from early 2019 to early 2020, to develop a formal conflict resolution framework and a peace-building panel. So, it is safe to say that South Africa's participation in all of these economic agreements with other nations aims to elevate its position in Southern Africa and throughout the whole African continent as an ideal destination for foreign direct investment (FDI).

4.4 South African FDI Policies

Post-independence South Africa embarked on a policy-making campaign to establish an environment that would attract foreign direct investment (FDI). In 1996, the GEAR strategy was announced to improve the macroeconomic environment, including changes in taxes, inflation, and the banking sector and ensure sustainable GDP growth. A long-term plan for job creation, growth in GDP, and attracting investment was developed by the National Planning Commission (2012), which introduced the National Development Plan 2030 in 2012. It is important to remember that FDI into the nation was just a small part of the total despite these efforts.

In order to pay taxes in South Africa, businesses of all sizes must register with the country's revenue agency, the South African Revenue Services (SARS). A corresponding reference number may be obtained for tariffs such as skills development, turnover, trade, and employer portion payment on worker tax (PAYE). Additionally, foreign investors should be mindful of Value-Added Tax (VAT), which is the country's primary source of tax collection (Mamphey-Otibo, 2017). In addition to tax incentives, there are plans to encourage additional investment in specific economic sectors by, among other things, significant reductions in corporate tax and tax rebates (KMPG, 2016).

According to Mamphey-Otibo (2017), South Africa is quite lenient when remitting profits and interest. However, when persons outside the nation control the business's operations, specific requirements must be completed before approval.

5. Challenges of Covid-19 Pandemic on FDI Equity Inflow to South Africa

The challenges revealed are predominantly centred on a reduction in overall economic activities, which has consequences on mergers and acquisitions and export revenue from the mining sector. These are expounded on thus:

5.1 Decline in economic activity due to lockdowns

Due to the fear of being hospitalised and losing lives, authorities worldwide instituted harsh lockdowns limiting people's movements. This led to a universal safety-first mode in which corporate activity was brought to a standstill. Djiofack, Dudu, and Zeufack (2020) provide insight on the decrease in FDI inflows caused by the Covid-19 pandemic-related halts in international travel. As a result of Covid-19 variants cited in South Africa, travel prohibitions on citizens and residents of several major Western nations entering the country continue to harm investment. Since travel bans and other restrictions affect the operations of multinational corporations (MNCs), the country's GDP might be reduced as a whole.

According to Lakemann, Lay & Tafese (2020), a rapid drop in South Africa's economic activity might have a domino effect on the economies of Southern Africa, reducing FDI inflows to the area. Economic growth in South Africa shrank by 1.5% in the third quarter of 2021, owing to the impact of hard lockdowns and the July riots (Stats S.A., 2021). Lim (2001) considers a smaller market size (GDP) to be linked to a drop in FDI inflows (horizontal FDI model) due to higher production costs.

5.2 Decreased Mergers and Acquisitions

Mergers and acquisitions (M&A) are responsible for a massive chunk of FDI (Erel, Liao & Weisbach 2012), and this is to the purpose of the inflow of FDI equally internationally and to emergent countries including South Africa (Grater, Bezuidenhout, Kleynhams & De Villiers, 2019). M&A was hitherto projected to reinforce the South African economy a decade ago, with a 1.2 trillion-rand haul in value. Regrettably, this forecast was met by the opposing forces of the Covid-19 pandemic in 2020. In the opening half of 2020, the value of intercontinental business transactions in the country declined by 60% and the general trend of cross-border trade with the countries on the African continent also being downhill (Atkinson, 2020).

Slatter’s (2021) analysis of the second half of 2020 still reveals a 6% reduction in M&A ventures to only 186 transactions (a 36% decrease in deal value when analogised to the same period in 2019). In this way, it can be surmised that Covid-19 negatively impacted the inflow of FDI in the South African economy due to the diminished levels in both value and actual projects of Mergers and acquisitions (M&A), which are meant to be decisive contributors to FDI.

5.3 Reduction in Mineral Export Revenue

The Covid-19 pandemic occasioned a sharp reduction in international trade, which Djankov & Panizza (2020) blames the drop in commodities' international purchases and prices, limiting export quantities and interruptions in supply chains. Lakemann, Lay & Tafese (2020) maintain that business transactions and the internal performance of a country's economy influence the overall verdict on FDI. This is true of the South African economy, which the Minerals Council South Africa (MCSA, 2021) pronounces to be heavily reliant on mineral exports, which suffered reduced revenues due to delays caused by Covid-19 restrictions in 2020. For instance, Miguel III de la Paz (2021) reveals that in South Africa, Covid-19 measures such as checking for symptoms of the virus plus other stiff lockdown rules imposed on truck drivers that transport chrome to Mozambique and Zimbabwe caused further delays, resulting in a reduction of chrome exports from 25% to 32% in the year 2020. This is then presumed to lead to a decline in incomes of MNCs invested in this sector, making these entities rethink ploughing back or decreasing investing these earnings in the economy, as espoused by UNCTAD (2020).

6. Enabling factors of Foreign Direct Investment Equity Inflow to South Africa

The factors responsible for attracting FDI inflow into South Africa reflect a deliberate and internal policy focus by authorities to project the country as a conducive investment environment. These determinants of inward FDI are explained thus:

6.1 Sound Legal Framework

Corrupt practices, such as the theft of public money intended to purchase PPE to fight Covid-19 (Mokoena, 2020), and other forms of tender fraud, have caused some international investors to rethink their plans to engage in the country's economy. Malfeasance like this reveals the country's inability to allocate scarce resources efficiently, which discourages foreign direct investment (FDI) because of the scarcity of public goods and services. However, South Africa's political stability ratings based on the criterion of checks and balances are among the strongest on the continent (WEF, 2019), which alleviates any investor's (local or international) anxieties and unwillingness to engage in the economy. These findings rank South Africa favourably regarding the court's independence and its ability to resolve conflicts. Investors have the confidence to pursue legal action if they are cheated in a transaction, which encourages additional investment in the market.

6.2 Availability of High-Quality Infrastructure

The quality of infrastructure is a critical determinant of FDI inflows into the country as it facilitates conducting business in an economy. The Africa Infrastructure Development Index (AIDI, 2018), an amalgamation of electricity, transport, information communication and technology, and water and sanitation proxies, ranks South Africa as the fourth-highest on the African continent. This may be construed as South Africa is still being competitive as an investment destination and attracting FDI inflows in the country.

6.3 Financial System

A country's financial sector is charged with assembling savings that are then channelled into business activities with the highest return on investment (Ssekitoleko, 2020). Thus, the financial system in a country is another vital aspect that should facilitate the inflow of funds even from foreign investors. In gauging the performance of South Africa's financial system via the WEF (2019) global competitiveness report, the country's banks are considered as strongly sound, coupled with a rank of position 10 out of 141 countries surveyed on the ratio of domestic credit to the private sector. This then speaks to robust banking regulation that ensures financial stability. It may also be interpreted that there is the ease of access to the credit required to finance any business activity from both local and foreign investors into the economy.

Additionally, the National Treasury South Africa (2021), as the regulator of banks in the country, declared measures to afford some respite due to the pressures from the hard lockdowns emanating from the Covid-19 pandemic. Some of these measures include giving additional time for all financial institutions regarding their mandatory reporting and reducing principal and liquidity thresholds. This is on top of the National Treasury's efforts in concert with the Reserve Bank that aims to advance the development of mechanisms further to enhance the inflow of FDI and general trade across the border. Such interventions include, among other things, pertinent laws for entities listed across the border, along with double listings.

6.4 Economic Integration with other Countries

South Africa as a member of inter-regional strategic alliances with countries, stands in good stead to enjoy a plethora of benefits in aiding its efforts to achieve sustainable development, peaceful co-existence and leverage numerous opportunities of increased trade among its partners. Mainly, Wakeman-Linn and Wagh (2008) confirm that such inter-governmental initiatives help lure in more significant amounts of foreign direct investment coupled with improvements in the participating countries' financial sector. South Africa is a member of regional trade alliances such as the Africa Continental Free Trade Area (ACFTA) that was formulated to lift intra-Africa trade and to strategically position the continent as a major player in global trade, the Southern African Development Community (SADC), as well as the BRICS (Brazil, Russia, India, China and South Africa). According to News24 (2021), The Presidency, South Africa credits the vital contribution of the BRICS club of countries as a significant source of FDI inflows into the country and the emergency financing extended to South Africa through the BRICS' New Development Bank meant to help the country combat the Covid-19 pandemic and to shake off its disastrous economic effects.

6.5 Availability of Natural Resources

Availability of natural resources is a non-policy propelled enabler of inward FDI into the country. As an emerging economy, South Africa is suitably poised to gain from the inflow of FDI that is driven to exploit the country's natural resource endowments. The Minerals Council South Africa (MCSA, 2021) reports that South Africa's economy is hugely dependent on its famous heavy deposits of gold, platinum, diamonds, and coal on top of other lesser-known minerals such as vanadium titanium chrome, among others. This, without a doubt, puts South Africa at an advantage compared to many other countries on the African continent to be a receptor of massive inflows of FDI, mainly directed into its mining sector. This is countersigned by Asiedu (2006) that many emergent economies can lure in FDI due to their rich natural resources.

7. Theoretical Foundation to the Study

The justifications and motives of FDI equity inflow switch over time; however, for emerging economies like South Africa, the goals for growth and development stay the same. Thus, in evaluating the growth and the contributions of FDI in an economy, which informs the sustainable growth in other sectors of the economy, three theories were used to support the argument of this study, and they are detailed as follows:

7.1 *Industrialisation Theory*

Industrialisation is how an economy transits from mainly primitive production methods to an advanced industrial economy. Individual manual labour is replaced by mechanised mass manufacturing and production systems (Mahmood, Alkhateeb & Furqan, 2020; Tomlinson, 2020). Industrialisation is distinguished by economic development, more efficient division of labour, and technical innovation to address issues rather than dependence on circumstances beyond human control (Green, 2019; Mukoyama & Popov, 2019). The progress in industrialisation brought about by FDI boosts the growth of both national and local economies, thus improving the long-term growth and development of other sectors within a country like South Africa. To this end, it is impossible to analyse the potential of FDI without mentioning industrialisation and advanced technology infusion.
Thus, when applied to the setting of this study, FDI is seen as a mechanism for the transfer of investment capital, managerial skills, technical innovation, and the infusion of foreign industrial companies primarily needed in this time of economic slump to revive the economy of South Africa. As a result, it is a channel that promotes development by transferring technology from a multinational corporation's parent firm to its overseas subsidiary (Mahmood *et al.*, 2020). Consequently, reassessing economic policies that attract and advance the growth of FDI in South Africa is significant to leverage the current economic backdrop with the country.

7.2 *Romer's Endogenous Growth Theory*

Romer's endogenous growth theory, often known as the new growth theory, was developed to explain the drivers of technological progress and their significance for long-term economic growth that were not addressed by conventional neoclassical theories (Dornbusch, Fischer & Startz, 2014). Paul Romer's endogenous growth model addresses technical spillover during the industrialisation phase, in which capital supplies across the economy have a beneficial effect on industrial output (Thach, 2020; Todaro & Smith, 2015). According to Romer's theory, the spillover of one sector due to new research and technology leads to new technologies and knowledge in other businesses. The new technology presented by one company spreads quickly across the economy. This idea may be used in the South African context, where the introduction of technological innovations and expertise from multinational companies could be disseminated across various sectors in local regions, thus promoting the growth of local economic development. Accordingly, the advancement of FDI helps in providing the platform that attracts technological innovations and expertise that directly benefits the growth of local economic development.

7.3 *The Big Push Theory*

Big Push integrates a central strategy and administrative structures to drive policy changes, direct investment, technological initiatives, and a substantial increase in foreign cooperations and concurrent investment in different economic sectors (Gramkow, 2020). Rosenstein-Roden created it because a significant amount of money or investment is required in infrastructure projects to maintain economic growth (Kaya, Tok, Koc, Mezher & Tsai, 2019; Currie, 2018). This theory focuses on expanding industries, eliminating coordination flaws, and introducing forward and backward linkages that guarantee Big Push success. A forward link is one in which one business acquires goods from another in the development building, while a backward link is one in which one company purchases products or services from another to be utilised as input. As a result, in relating this theory on how the advancement of FDI benefits South African economic growth during the Covid-19 outbreak, a critical review of policies on FDI attraction is essential, given the opportunities for growth and industrialisation it provides. Using this idea, holistic economic growth and development will be sustained even in the face of Covid-19 through the engagement and patronage of multinational companies and local industries for united growth and development at the national and local levels.

8. Managerial Implications and Recommendations

The global economy has experienced several ups and downs recently, struggling with the devastating economic situation that resulted from the outbreak of Covid-19, with lots of uncertainty in the investment environment. However, globalisation has helped most economies to survive, as more incredible benefits exist in an increased relationship in economic activities and investment between nations. Similarly, FDI also plays a more significant role in leveraging most economies by attracting multinational firms to invest in key economic sectors. Thus, in exploring the advancement of FDI equity inflow amid the Covid-19 outbreak in South Africa, key managerial implications were identified with policy recommendations.

a. **Growth of FDI in South Africa** – There was a noticeable increase in FDI equity inflow since the first South African democratic election in 1994. Although experts argued that the growth was slow, that phase in the economy provided a platform that introduced the South African market to the globe. To add to that, for the past two decades, several legislations and treaties have been implemented to advance FDI inflow to South Africa. Nevertheless, the outbreak of Covid-19 was unprecedentedly causing a decline in the growth of different economic sectors, including FDI. To this end, it is recommended that proactive policies such as favourable tax levies on foreign investors and simplifying the process of business and investment registration, as well as an assurance of safe landing of foreign investors, are needed to reignite the attraction of foreign multinationals to South Africa.
b. **Challenges of Covid-19 Pandemic on FDI Equity Inflow** - The challenges revealed in this study are predominantly centred on a reduction in overall economic activities resulting from lockdown regulations implemented to control the spread of the virus. Undoubtedly, the negative consequences of shutting down economic activities have recorded a significant negative impact on both the country and the welfare of its citizenry. As such, there is an urgent need to identify, support, and promote significant national economic growth boosters to revive holistic economic growth and development. In line with this scenario, a significant attraction focus on FDI is recommended. This is because FDI has been identified as providing a platform that creates employment opportunities, increases productivity, increased domestic economic stability by introducing innovations, expertise, and technologies, strengthened infrastructure, and increases exports.
c. **Enabling Factors of FDI inflow amid Covid-19 Outbreak** – The rising trend in FDI attraction presents optimism in the future economic growth of South Africa. In addition to capital inflows that FDI attracts, it also brings technological know-how, innovative management ideas and operational practices that boost economic development. Although foreign investors introduce new methods of operating within the sector invested, new technology and procedures that improve the productivity of work and the efficiency of employees are also incorporated. This study recommends that to sustain and advance the growth of FDI in South Africa amid the Covid-19 outbreak, factors like sound legal framework, availability of high-quality infrastructures, financial system, and policies on economic integration need to be improved.

9. Conclusion

This study was inspired by the generally slow nature of economic activities and the declining trend in FDI inflow in South Africa, emanating from the debilitating and long-term effects of the lockdown measures to curtail the spread of the Covid-19 pandemic. An exploratory literature review strategy was utilised for this research to develop comprehensive logical ideas about the growth of FDI amid the Covid-19 outbreak in South Africa. From this, the study revealed South Africa's growth trends in FDI inflow, laws including Broad-Based Black Economic Empowerment, Promotion and Protection of Investment Acts, treaties with continental, international parties and policies affecting FDI inflows.

Furthermore, this research pinpointed challenges from the Covid-19 pandemic towards FDI inflow and country-specific enabling factors of FDI inflows. The research then brings to the fore applicable theories for advancing FDI inflow into South Africa. Lastly, as recommendations, the study promotes the adoption of active policies including favourable tax levies on foreign investors, the simplification of business and investment registration processes, as well as an assurance of safe landing of foreign investors, all in a bid to reignite the attraction of multinational entities to South Africa. Over and above that, the study endorses the need to buoy and sustain the growth of FDI in South Africa amid the Covid-19 outbreak, focusing on improving the country's legal framework, infrastructures, financial system, and policies on economic integration.

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