Student Perception of Foreign Direct investment Into China

Yuan Suo, Runbang Wang, Haoxuan Zhang

Abstract

Foreign direct investment (FDI) plays a pivotal role in globalization, and it has made significant contributions to the Chinese economy. This paper examines Chinese students' perception of FDI into China by analyzing how they perceive the value of FDI into China and evaluating the positive factors as well as risks. The study also examines any gender difference in these perceptions. The respondents generally had favorable attitudes toward inward FDI, and male respondents were less likely than female respondents to show favorable attitudes. The respondents emphasized Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order. Both male and female students were most likely to choose Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order. In terms of potential risks in FDI into China, the respondents emphasized Business environments becoming more favorable toward foreign companies, followed by Transfer of skilled labor to foreign companies, Increased dependence on foreign companies, and Failure of local companies due to increased competition, in that order. Both female and male students emphasized Business environments becoming more favorable toward foreign companies.

Keywords: Foreign Direct Investment, Perception, High School Students, China

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Introduction

Foreign direct investment (FDI) plays a pivotal role in globalization. FDI is investment from one country in another and typically entails investment in corporate operations such as manufacturing. Therefore, FDI can help bring together public as well as private sectors by promoting mutual dependence and growth.

FDI is crucial to the integration of China into the global economy. Due to China's skilled and low-cost labor and vast market, foreign corporations continue to invest in China’s manufacturing as well as service sectors, improving China's standard of living.

This study examines the attitudes of high school students in China toward FDI into China by examining how they perceive the value of FDI into China, what factors they emphasize in successful FDI into China, what risks they perceive in FDI into China, and what gender difference there are in these perceptions.

Theoretical Framework

FDI has a huge impact on economic growth of recipient countries by facilitating import/export activity and job and salary growth of local labor (Pelinescu & Dulescu, 2009). FDI also facilitates the initiation and development of new supply and market opportunities and sparks modernization of exiting manufacturing and distribution processes. FDI has also had a favorable impact on the Chinese economy, which has attracted substantial FDI in recent decades, allowing the country to witness rapid economic development and strengthening of its manufacturing sectors.

Many factors are considered when making FDI. FDI requires an attractive investment climate for investors considering FDI (Chen, Luming & Lian, 2014), which implies recipient countries should strive to provide more attractive investment opportunities and environments for foreign investors. FDI also requires a predictable and reasonable regulatory system since unpredictability and uncertainty make any investment more risky for investors (Sun, 2002), which implies recipient countries should ensure a more attractive regulatory environment for foreign investors. A recipient country's business, financial, and labor market environments also have considerable impacts on FDI (Dutta & Roy, 2009), so recipient countries should strive to improve these environments for more FDI. FDI also requires skilled and plentiful labor, so recipient countries to train skilled workers and have them readily available for the labor market (International Labour Office, 2011).

FDI benefits recipient countries, but there are also risks. For example, the entry of large and experienced foreign companies into a recipient country may threaten less experienced local companies (Bellak, 2004). Therefore, companies in recipient country may face undue competition from the influx of more competitive foreign companies. Employees' job satisfaction is closely related to employee retention and turnover. Since wages are a key element of job satisfaction, foreign companies with bigger financial resources may offer better pay than local companies, leaving local companies to compete for dwindling pool of skilled labor (Al-Zoubi, 2014). When countries want investment from foreign entities, they may change its regulatory environment to make it more favorable to foreign companies than local companies, providing a risk to local companies (Deloitte Touche Tohmatsu Limited, 2013; KMPG China, 2012).

This study also considers any differences in gender in aforementioned factors and risks (Ankaya, Ucal & O'Neil, 201).

Based on the aforementioned discussion, this study addresses the following research questions:

RQ1: How do high students in China perceive the value of inward FDI into China?

RQ2: Is there any gender difference in this perception?

RQ3: What factors do Chinese high school students highlight in attracting inward FDI into China?

RQ4: Is there any gender difference in the factors Chinese high school students value in inward FDI into China?

RQ5: What risks do Chinese high school students highlight in inward FDI into China?

RQ6: Is there any gender difference in the risks Chinese high school students highlight in inward FDI into China?

I. Methods

Participants

A total of 95 high school students in China were surveyed (52 males and 43 females). All respondents were students in high schools in Shanghai, China, and their grades were grades 10, 11, and 12.

Procedure

The questionnaire (see Appendix) was distributed to a total of 120 randomly selected high school students through social media platforms, providing a response rate of 79%. The questionnaire took approximately 5 minutes for completion. The survey was administered anonymously, and all students were informed of the voluntary and confidential nature of the study. The survey was administered in April and May 2021.

Instrumentation

One item was used to determine the respondent's gender for a nominal scale. Four items were utilized for the respondent's perception of FDI. These items were measured using a five-point Likert-type scale: "strongly disagree" (1) to "strongly agree" (5). The internal consistency and reliability of these four items based on Cronbach's α was .866, indicating sufficient internal consistency and reliability (Nunnally, 1978). Table 1 shows the four items.

Table 1. Items for FDI perception

FDI improves China's economy.
FDI improves China's standard of living.
FDI strengthens Chinese companies' capability.
FDI makes local Chinese companies work harder to be more competitive relative to

foreign companies.

For the respondent perception of factors that influence inward FDI, respondents were asked to select one of the following four factors as the most important one: "Promotion of investment opportunities in China," "Provision of an attractive regulatory environment," "Provision of an attractive business environment," and "Provision of skilled labor."

For the respondent perception of risks in inward FDI, respondents were asked to select one of the following four risks as the most important one: "Failure of local companies due to increased competition," "Transfer of skilled labor to foreign companies," "Business environments becoming more favorable toward foreign companies," and "Increased dependence on foreign companies."

Analysis

For RQ1, means and standard deviations for the four items for the perception of value of inward FDI were analyzed. For RQ2, the difference in means between groups was examined using independent-samples t-test. For RQ3 and RQ4, chi-square test was utilized with four investment attraction factors. For RQ5 and RQ6, chi-square test was conducted with four investment risks.

II. Results

RQ1

The respondents generally had favorable attitudes toward inward FDI. The mean was 3.3368 (SD=.63347). The mean for males was 3.3317 (SD=.59144), and that for females was 3.3430 (SD=.68796). Table 2 shows the means and standard deviations for the perception of FDI value.

Table 2. Means and standard deviations for the perception of FDI value

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
score	95	2.00	4.75	3.3368	.63347
Valid N (listwise)	95				

Group Statistics

	gender	N	Mean	Std. Deviation	Std. Error Mean
score	female	43	3.3430	.68796	.10491
	male	52	3.3317	.59144	.08202

RQ2

Male respondents (3.3317 (SD=.59144)) showed a lower mean than female respondents (3.3430 (SD=.68796)). The results of the independent-samples t-test in Table 3 show no significant gender difference (t(93)= .086, p=.350) in the perception of FDI value.

Table 3. The independent-samples t-test for the perception of FDI value

		Levene's test of variances		t-test for equality of means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Score	Equal variance assumed	.883	.350	.086	93	.932	.01129	.13127	-.24938	.27196

RQ3

As shown in Table 4, the respondents emphasized Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order.

Table 4. Most important factors for attracting inward FDI by gender (N, %)

			Factors				
			Promotion of investment opportunities in China	Provision of an attractive regulatory environment	Provision of an attractive business environment	Provision of skilled labor	Total
Gender	female	Count	0	10	12	21	43
		% within gender	0.0%	23.3%	27.9%	48.8%	100.0%
	male	Count	9	11	17	15	52
		% within gender	17.3%	21.2%	32.7%	28.8%	100.0%
Total		Count	9	21	29	36	95
		% within gender	9.5%	22.1%	30.5%	37.9%	100.0%

RQ4

As shown in Table 4, for the most important factors in attracting inward FDI, both male and female students were most likely to choose Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order. The results of the chi-square test for the gender-factor relationship show a significant relationship ($\chi^2(3) = 10.148$, p=.017). Cramer's V was .327, implying a strong relationship.

RQ5

As shown in Table 5, In terms of potential risks in FDI into China, the respondents emphasized Business environments becoming more favorable toward foreign companies, followed by Transfer of skilled labor to foreign companies, Increased dependence on foreign companies, and Failure of local companies due to increased competition, in that order.

Table 5. Most important risk factors by gender (N, %)

			risks				
			Failure of local companies due to increased competition	Transfer of skilled labor to foreign companies	Business environments becoming more favorable toward foreign companies	Increased dependence on foreign companies	Total
Gender	female	Count	3	16	15	9	43
		% within gender	7.0%	37.2%	34.9%	20.9%	100.0%
	male	Count	10	12	21	9	52
		% within gender	19.2%	23.1%	40.4%	17.3%	100.0%
Total		Count	13	28	36	18	95

			risks				Total
			Failure of local companies due to increased competition	Transfer of skilled labor to foreign companie s	Business environments becoming more favorable toward foreign companies	Increased dependence on foreign companies	
Gender	female	Count	3	16	15	9	43
		% within gender	7.0%	37.2%	34.9%	20.9%	100.0%
	male	Count	10	12	21	9	52
		% within gender	19.2%	23.1%	40.4%	17.3%	100.0%
Total		Count	13	28	36	18	95
		% within gender	13.7%	29.5%	37.9%	18.9%	100.0%

RQ6

As shown in Table 5, for the most important risk factors, female students emphasized Business environments becoming more favorable toward foreign companies, followed by Transfer of skilled labor to foreign companies, Increased dependence on foreign companies, and Failure of local companies due to increased competition, in that order. Male respondents emphasized Business environments becoming more favorable toward foreign companies, followed by Transfer of skilled labor to foreign companies, Failure of local companies due to increased competition, and Increased dependence on foreign companies, in that order. The results of the chi-square test for the gender-factor relationship show no significant relationship ($\chi^2(3)$ =

4.529, p=.210). Cramer's V was .218, implying a strong relationship.

III. Discussion

Foreign direct investment (FDI) plays a pivotal role in globalization. FDI is investment from one country in another and typically entails investment in corporate operations such as manufacturing. Therefore, FDI can help bring together public as well as private sectors by promoting mutual dependence and growth. FDI is crucial to the integration of China into the global economy. Due to China's skilled and low-cost labor and vast market, foreign corporations continue to invest in China's manufacturing as well as service sectors, improving China's standard of living. This study examines the attitudes of high school students in China toward FDI into China by examining how they perceive the value of FDI into China, what factors they emphasize in successful FDI into China, what risks they perceive in FDI into China, and what gender difference there are in these perceptions.

According to the results, the respondents generally had favorable attitudes toward inward FDI, and male respondents were less likely than female respondents to show favorable attitudes. The respondents emphasized Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order. Both male and female students were most likely to choose Provision of skilled labor as the most important factor in FDI into China, followed by Provision of an attractive business environment, Provision of an attractive regulatory environment, and Promotion of investment opportunities in China, in that order. In terms of potential risks in FDI into China, the respondents emphasized Business environments becoming more favorable toward foreign companies, followed by Transfer of skilled labor to foreign companies, Increased dependence on foreign companies, and Failure of local companies due to increased competition, in that order. Both female and male students emphasized Business environments becoming more favorable toward foreign companies.

These results suggest that inward FDI has not only beneficial impacts but also risk, implying inward FDI to be necessary for economic growth but something carefully managed to minimize its risks to local industries and labor. Future research should include a larger sample of students in more diverse age groups and locations.

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Appendix

QUESTIONNAIRE

We invite you to participate in this survey for a study of foreign direct investment into China by foreign companies. Your participation is voluntary and confidential.

1) What is your gender? Male/Female

2) Perception of value of foreign direct investment into China (choose only one of the five choices)

   a) FDI improves China's economy.

      ____Strongly disagree

      ____Disagree

      ____Neither disagree nor agree

      ____Agree

      ____Strongly agree

   b) FDI improves China's standard of living.

      ____Strongly disagree

      ____Disagree

      ____Neither disagree nor agree

      ____Agree

____Strongly agree

c) FDI strengthens Chinese companies' capability.

____Strongly disagree

____Disagree

____Neither disagree nor agree

____Agree

____Strongly agree

d) FDI makes local Chinese companies work harder to be more competitive relative to foreign companies.

____Strongly disagree

____Disagree

____Neither disagree nor agree

____Agree

____Strongly agree

3) Which factors do you consider to be most important in attracting FDI into China? (choose only one of the four choices)

____Promotion of investment opportunities in China

____Provision of an attractive regulatory environment

____Provision of an attractive business environment

____Provision of skilled labor

4) What risks do you consider to be most important in FDI into China? (choose only one of the four choices)

_____Failure of local companies due to increased competition

_____Transfer of skilled labor to foreign companies

_____Business environments becoming more favorable toward foreign companies

_____Increased dependence on foreign companies

Thank you!