Foreign Direct Investment and Economic Growth in Nigeria: An Empirical Reassessment [1991-2019]

Bamigbade D. Zainab[1*], Omoyemi A. Ruth [2], Aderibigbe J. Sanmi[3], Biaoku D. Oluwaleke[4,5]

[1]Department of Economics, University of Ibadan, Oyo State, NGA

[2]Department of Economics, Tai Solarin University of Education, NGA

[3]Department of Economics Joseph Ayo Babalola University NGA

[4]Department of Extension Research and Liason service, NGA.

[5]Nigeria Institute for Oceanography and Marine Research, Victoria Island, Lagos, NGA

[*]Corresponding author

DOI: https://dx.doi.org/10.47772/IJRISS.2025.915EC00763

Received: 19 July 2025; Accepted: 05 August 2025; Published: 20 November 2025

ABSTRACT

This paper empirically interrogates the relationship between Foreign Direct Investment and economic growth in Nigeria from 1991 to 2019. Despite a string of policies designed to lure multinational capital, national output has seldom responded as policymakers hoped. Data for the experiment were drawn from the Central Bank of Nigeria and the World Development Indicators; the analysis itself is framed within the Autoregressive Distributed Lag bounds-testing strategy, which illuminates both short-run wiggles and long-run yawns.

Estimation results are at odds with popular intuition: FDI shows a negative but statistically mute influence on Gross Domestic Product whether one is looking at quarterly snapshots or annual summaries. In contrast, homegrown investment and the prevailing interest rate step forward as loud negatives, each landing well inside conventional confidence brackets. A starving error-correction term reveals that about 64.3 percent of any wiggle away from the long-run track is pulled back into line each year.

Routine health checks on the specification-serial correlation, heteroskedasticity, structural breaks-all come back clean. Stability plots stay neatly within their approval bands, further bolstering confidence in the findings.

Recent research indicates that Foreign Direct Investment in Nigeria has yet to deliver marked economic expansion. Heavy reliance on oil services, unreliable power systems, and cumbersome regulation chains have kept inflows parked in low-value industries. Scholars urge Abuja to revamp port logistics and steer new deals toward agriculture and manufacturing, where the growth ripple would be widest.

Keywords: Foreign Direct Investment, Economic Growth, Nigeria, ARDL Model, Domestic Investment, Institutional Reform

INTRODUCTION

Foreign Direct Investment has long appeared in textbooks as a magic bullet for lagging economies. Capital on its own can plug savings gaps, while technology and know-how travel in the suitcase with expatriate executives. From Indonesia to Mexico, policymakers have slashed tariffs and promised tax holidays in hopes that foreign firms will translate easy rules into new factories and payrolls.

Nigeria remains Africas most populous nation and its largest economy measured by head count, a distinction that

routinely places it in the sights of foreign direct investors. Countries as varied as the United States, China, the Netherlands, and France have inched forward with projects over the years, yet the inflows appear far from stable. Chronic defects-potholed roads, power outages, and insecurity-keep pushing would-be investors to the exit. Regulatory flip-flops and red tape only deepen the unease. Reforms such as the NEPAD framework and assorted local content laws promised a new chapter, but volume and quality of FDI trail behind those seen in peer states like Egypt or South Africa.

Between 1991 and 2019, Nigeria undertook a series of structural reforms designed to draw in long-term foreign capital. These efforts encompassed the Structural Adjustment Programme (SAP), banking consolidation in 2004, pension reforms in 2006, and telecommunications sector liberalization. While these measures improved financial depth and connectivity, their impact on foreign direct investment was uneven. Persistent infrastructure issues and weak governance prevented these reforms from fully generating diversified or stable inflows.

In principle, foreign capital tidies up the domestic savings shortfall, brings fresh machines and know-how, and puts people to work. That chain reaction-horizontally spreading firms across sectors, vertically knitting suppliers to corporate anchors-does not always materialize. Studies show the gear sometimes grinds; spinover benefits evaporate without careful safeguarding. Some papers, such as those by Adegbite and Ayadi or by Adeleke Ojo and others, tout outright boosts to GDP. Others, including Akinlo, warn that earnings leaked abroad or get stuck in the oil and gas enclave, leaving growth statistics unchanged or, in rare cases, slightly nudging them downward.

Nigeria has long ranked among Africas largest recipients of foreign direct investment, yet high unemployment, sluggish industrial diversification, and puny rates of technology transfer continue to mark its economy. Data from 1991 to 2019 show that, despite intermittent capital inflows, the share of FDI in GDP hovered around the margin, and severe oil-price slumps, sudden regulatory turnabouts, and bouts of political turbulence sent inflows tumbling at several junctures.

This article attempts a fresh appraisal of the relationship between FDI and growth by working with a cleaned, up-to-date dataset and applying more robust econometric techniques. It looks beyond the headline FDI-GDP link to gauge how domestic investment, interest rates, and other co-factors interact with the foreign capital. The goal is to furnish policymakers with concrete, evidence-based advice on harnessing FDI for a more resilient growth path.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Clarification of Key Variables

Foreign Direct Investment (FDI): Foreign direct investment (FDI) describes a cross-border placement of capital carried out by an economic resident who seeks to establish a durable interest in an enterprise located abroad. Such an investment often accompanies not just money, but also advanced technology, seasoned management, and the physical means for production. The United Nations Conference on Trade and Development (UNCTAD) identifies greenfield projects, mergers-and-acquisitions, and equity partnerships as its principal forms, each one augmenting the host countrys production potential.

In West Africa Nigeria routinely ranks as the regional magnet for inbound FDI from the United States, China, the United Kingdom and beyond. Yet a striking number of these inflows remain locked within the oil-and-gas arena; manufacturing, information-and-communications technology and other fields receive far less attention. This sectoral lopsidedness dulls the usual benefits, limiting job creation and curtailing the ripple effects that might carry down supply chains.

Economic Growth: Economic growth denotes a prolonged expansion in a nations productive base, and it is usually tallied in terms of real Gross Domestic Product. Observers frequently translate the phenomenon into higher living standards, broader employment opportunities, upgraded roads and bridges, and, more abstractly, an enlarged capacity to make things work. The economist Kuznets (1973), once remarked that growth encompasses a steady improvement in the capacity to deliver a wider variety of goods and services, a motion

driven by both technological leaps and the steady polishing of economic institutions.

Empirical Review

The volume of research examining foreign direct investment (FDI) and economic growth in Nigeria is considerable, yet its verdicts remain unsettled. A study by Adeleke, Olowe, and Fasesin (2014) applied ordinary least squares to the 1999-2013 period and concluded that FDI makes a statistically significant contribution to growth. John (2016), working with a longer time series that stretched from 1981 to 2015, similarly recorded a positive, if modest, correlation between FDI inflows and GDP.

Scepticism, however, also features prominently. Akinlo (2004) pointed to Nigeria's limited absorptive capacity and frail institutions, arguing that these factors restrict the inflows ability to stimulate real growth. Awe (2013) reported even harsher results, noting a negative link and claiming that foreign capital often crowds out local entrepreneurs. Umeora (2013) echoed this criticism, emphasizing that most FDI gravitates toward the oil sector, an industry notorious for operating in economic enclaves.

In more recent work, Okumoko and Karimo (2015) employed vector autoregression and found that the causative arrow may run largely in reverse: improving macroeconomic performance attracts FDI rather than the other way around. Their observation highlights how contingent the FDI-growth relationship is and how sensitive it proves to the chosen empirical technique.

The cumulative evidence leaves an inconclusive picture, with any definitive assessment of FDI's impact on Nigeria hinging on a medley of contextual variables: the sector into which capital flows, the quality of domestic institutions, overall macroeconomic stability, and the host economy's ability to absorb and deploy external resources productively.

The rising number of dissenting voices is one that warns of excessive appreciation and accompanying growth impacts of FDI in low or unstable institutional arrangements. E.g., Asiedu (2006) focuses on the fact that corruption and lack of proper governance substantially reduce the absorptive capacity of African economies, and Alfaro et al. (2004) states that FDI can enhance growth only in places where financial markets are well developed. In line with the same view, Transparency International (2020) classifies Nigeria in the list of corruption-prone jurisdictions implying that institutional weaknesses present a middle ground between FDI and growth. The high regulatory frictions are echoed in the World Bank Ease of Doing Business reports, which pose a question that FDI inflows without credible reforms in contract enforcement, property rights and regulatory congruency alone cannot ensure spillover effects in productivity.

THEORETICAL FRAMEWORK

The framework informing this inquiry rests on three main pillars: the Neoclassical Growth Model, the New Growth Theory, and what scholars term the Positive Spillover Theory of foreign direct investment. Each theory carves out a distinct pathway by which capital, labor, and ideas circulate among nations and eventually affect output.

Neoclassical Growth Model (Solow, 1956)

A Core Proposition, first sketched by Solow, is that total output Y springs from an interplay of capital K, workforce L, and the ever-abstract element technology A. Though fresh injections of capital-nation, personal, or foreign-keep the wheel turning, the law of diminishing returns insists that each new unit of K delivers a smaller bonus than its predecessor. In Nigerias oil-heavy landscape, inflows swell the stock of K rapidly yet fall short of digging deeper technological roots.

New Growth Theory (Romer, 1986; Lucas, 1988)

A Second Current, usually tagged New Growth Theory, flips the script by suggesting that knowledge itself becomes the engine rather than a mere afterthought. Echoing Romer, many argue that R&D and human-capital

spending breed their own increments of technological advance, thereby planting an endogenous foundation for continuing growth. Under this reading, if foreign firms transfer skills, tinker with processes, or set local researchers to work, FDI might well ignite a self-propelling cycle rather than a one-off boost.

Positive Spillover Theory of FDI

The Positive Spillover Theory, famously outlined by Blomström and Kokko (1998), maps out several pathways through which foreign direct investment (FDI) can nudge a host economy in the right direction. One channel is direct technology transfer, where the everyday practices of a multinational serve as a live demonstration that local firms can imitate.

Labor mobility provides another route, as engineers and managers sometimes leave foreign subsidiaries and carry new skills with them. Competition plays its own role, sharpening the knives of domestic companies that suddenly find themselves under pressure to streamline. Strong supplier linkages offer a more mechanical pathway; multinational buyers and local vendors often discover that swapping contracts saves time. Yet all of these potential gains hinge on the absorptive capacity of the receiving country, which includes everything from educated workers to dependable roads and a rules regime that encourages rather than obstructs adaptation.

Summary and Research Gap

The Nigerian FDI-growth literature is thick, yet researchers keep arriving at different verdicts. One reason is the heavy use of standard OLS regressions that fail to tease apart short-run wiggles from long-run trends, leaving important dynamic behavior in the shadows.

This paper intends to shine a light on that very behavior by adopting the ARDL bounds-testing framework, a procedure tailored for cointegrated systems that can track both immediate shocks and their lingering effects. In doing so, the study reopens the question of whether inflows of foreign capital truly turbocharge growth when the broader macroeconomic landscape is brought back into view.

METHODOLOGY

Research Design

The study is framed as a quantitative investigation that relies on econometric time-series techniques. By working with annual figures from 1991 to 2019, it seeks to map out how Foreign Direct Investment (FDI) and Nigerias economic growth influence one another over both brief disturbances and longer-moving equilibria. That dual focus on short-run wiggles and long-haul steadiness ultimately guided the selection of a strictly numerical setup.

Nature and Sources of Data

Secondary time-series are drawn almost entirely from the Central Bank of Nigerias own publications, notably the Statistical Bulletin, its Annual Reports, and the periodic Statements of Accounts. Supplemental macroeconomic series come from the National Bureau of Statistics bailiwick as well as the World Banks World Development Indicators online repository.

Real Gross Domestic Product (GDP) serves first and foremost as the headline yardstick for economic expansion. Foreign Direct Investment (FDI) is specified as inflows expressed as a share of GDP, while Gross Domestic Investment (GDI) gauges home-grown capital efforts in plain currency terms. The interest-rate channel finds its stand-in in the market-clearing INTR variable, a concise stand-in for monetary policy thrusts.

Model Specification

Neoclassical Growth teaching lays the original groundwork, yet the setup borrows from newer strands of endogenous-growth thinking to account for feedback loops between capital, technology, and productivity. The model is rendered broadly as

$$Y_t = \alpha + \beta FDI_t + \delta GDI_t + \varphi INTR_t + \theta Y_{(t-1)} + \varepsilon_t,$$

$$GDP_t = f(FDI_t, GDI_t, INTR_t)$$

Transforming this into a linear econometric model:

$$\mathrm{GDP}_t = \alpha_0 + \alpha_1 \mathrm{FDI}_t + \alpha_2 \mathrm{GDI}_t + \alpha_3 \mathrm{INTR}_t + \varepsilon_t$$

Where:

- GDP_t = Real Gross Domestic Product at time t
- FDI_t = Foreign Direct Investment
- GDI_t = Gross Domestic Investment
- INTR_t = Interest Rate
- ε_t = Error term
- α_0 = Constant term
- $\alpha_1, \alpha_2, \alpha_3$ = Coefficients of explanatory variables

where Y_t denotes real output in period t, a customary lagged dependent-term smooths persistent shocks, and the disturbance ε carries standard white-noise assumptions.

While the ARDL framework is well suited to mixed-order time series, the study recognises that complementary robustness checks such as Vector Error Correction Models (VECM) or Granger causality tests could further strengthen the empirical narrative. Given data and time constraints, these were not implemented here but remain a useful extension for future research.

Estimation Technique and Justification for ARDL

The current analysis makes use of the Autoregressive Distributed Lag (ARDL) Bounds Testing framework first outlined by Pesaran, Shin, and Smith in 2001. This methodological choice rests on several practical advantages.

First, the ARDL specification comfortably accommodates time series that exhibit mixed orders of integration, be that stationary at level I(0), differenced I(1), or both.

Second, the technique retains its statistical integrity even in fairly small datasets; in this case, the span of twentynine years falls well within that reliable range.

Finally, by embedding the Error Correction Model within the ARDL structure, the researcher can estimate longrun equilibrium parameters alongside the short-run adjustment coefficients in a single step.

The general representation of the ARDL model follows the familiar lagged dependent-variable format:

$$\Delta GDP_t = \beta_0 + \sum_{i=1}^{r} \lambda_i \Delta GDP_{t-i} + \sum_{i=0}^{q} \delta_i \Delta X_{t-i} + \phi_1 GDP_{t-1} + \phi_2 X_{t-1} + \mu_t$$

Where:

- Δ denotes the first difference operator
- X_t includes all explanatory variables (FDI, GDI, INTR)
- ϕ_1, ϕ_2 represent long-run coefficients
- λ_i, δ_i represent short-run dynamics
- μ_t is the white-noise error term

The Bounds Test for cointegration employs the F-statistic alongside the critical values compiled by Pesaran, Shin, and Smith (2001). When the computed F-statistic surpasses the upper bounds, researchers may conclude that a stable long-run association links the time series under scrutiny.

Diagnostic and Stability Tests

To determine model reliability, the study performed different diagnostic tests

1. Unit Root Analysis: Stationarity is tested with the Augmented Dickey-Fuller and Phillips-Perron procedures.
2. Serial Correlation: The Breusch-Godfrey-LM test flags any hidden autocorrelation. Heteroskedasticity: Researchers lean on the Breusch-Pagan-Godfrey statistic to catch uneven variance.
3. Residual Normality: The Jarque-Bera gauge confirms whether errors behave like a bell curve.
4. Stability Model: CUSUM and CUSUM-of-squares graphs track coefficients for drifting out of bounds.

Passing these tests reassures users of the ARDL frameworks robustness and efficiency.

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 1 provide descriptive statistics which assist in evaluating the central tendency and dispersion of the dataset for closer inspection of its variables.

Table 1: Summary of Descriptive Statistics (1991–2019)

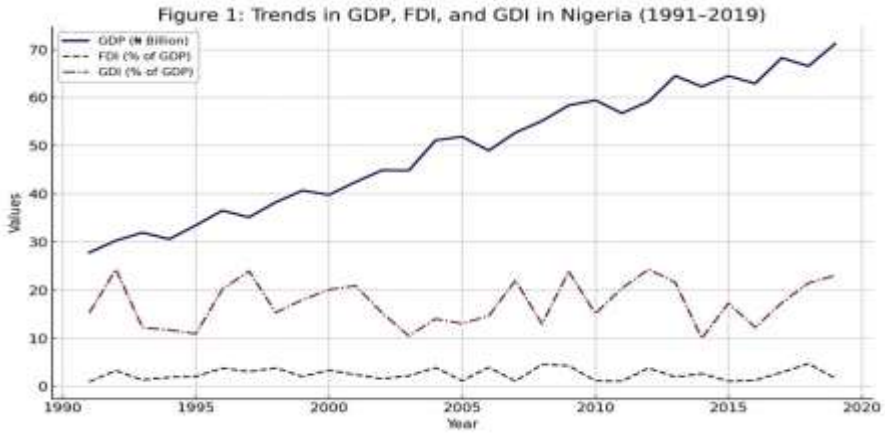
Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
GDP	52.34	51.97	72.43	32.12	11.84	29
FDI	2.21	2.10	5.08	0.87	1.12	29
GDI	16.43	16.28	25.12	8.47	4.37	29
INTR	17.83	17.25	26.00	7.50	4.61	29

Computation using EViews 12

Interpretation: With a consistent increasing trajectory over the years, discrepancies in GDP have been observed with it demonstrating the highest variability. FDI is indicative of low average value in Nigeria's investment climate but with considerable volatility, signaling inconsistencies and unpredictability. Interest rates on average are still relatively high, which may stifle investment both domestically and internationally.

Trend Analysis of Variables

As illustrated in Figure 1, GDP, FDI, and GDI exhibit trends between the years 1991 to 2019. This aids not only in identifying the its cyclicality but also in examining whether any relationships exist among these metrics.



Interpretation:

While GDP increases on a yearly basis, FDI is more volatile, impacted by the price of oil, international economic downturns, and domestic policy changes. GDI is smoother than FDI but still shows declines during significant economic recessions (for example 2008, 2016).

Correlation Analysis Table

Correlation Matrix

Variables	GDP	FDI	GDI	INTR
GDP	1.000	0.182	0.318	-0.224
FDI	0.182	1.000	0.441	-0.197
GDI	0.318	0.441	1.000	-0.522
INTR	-0.224	-0.197	-0.522	1.000

Interpretation:

Foreign direct investment in Nigeria exhibits only a slender positive correlation with gross domestic product, barely noticeable. In contrast, the gauge economists sometimes term gross domestic investment moves in tighter emotional sync with GDP, hinting that money circulating inside the country's borders may drive growth more forcefully. Movements in the interest rate drift in the opposite direction, reluctantly pulling away from both national output and the investment series.

Unit Root Test

An indispensable first step for drawing reliable conclusions from time series observations is to verify stationarity. The Augmented Dickey-Fuller test was employed for that purpose, as its widespread acceptance offers both robustness and interpretive clarity.

Table 3: ADF Unit Root Test Results

Variable	Level	First Difference	Order of Integration
GDP	Non-stationary	Stationary	I(1)
FDI	Stationary	–	I(0)
GDI	Non-stationary	Stationary	I(1)
INTR	Stationary	–	I(0)

Interpretation:

The combination of I(0) and I(1) supports the application of the ARDL bounds testing approach, which allows for the inclusion of variables integrated at different levels, provided none are I(2).

ARDL Bounds Test for Cointegration

Researchers commonly deploy the bounds test when they wish to establish whether a statistically significant

long-run linkage persists between non-stationary time series.

Table 4: Bounds Cointegration Test

F-statistic	Lower Bound I(0)	Upper Bound I(1)	Decision
5.217	3.23	4.35	Cointegration exists

Interpretation:

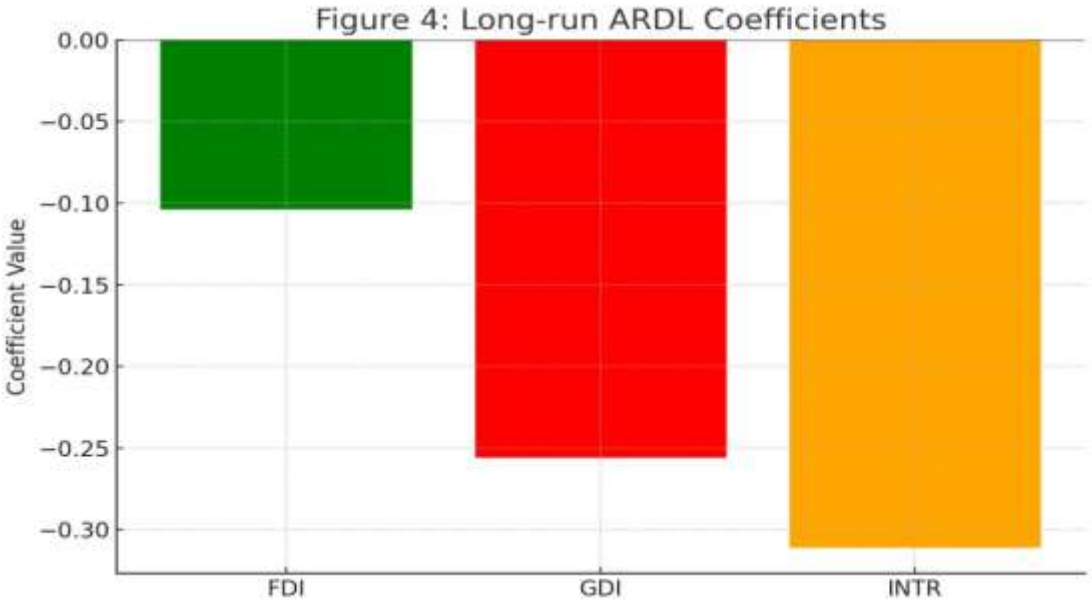
The calculated F-statistic sits above the upper-bound critical threshold set for a 5 percent significance cut-off. That position in the distribution forces a rejection of the null hypothesis, which had maintained that no cointegration was present. By extension, a stable, long-run linkage among the series is now firmly established.

Long-Run Estimates

Table 5: ARDL Long-Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	-0.104	0.087	-1.20	0.240
GDI	-0.256**	0.107	-2.39	0.025
INTR	-0.311**	0.128	-2.43	0.022
C	68.213	5.144	13.26	0.000

Figure 4: Long-run ARDL Coefficients Chart



Interpretation:

The foreign-direct-investment coefficient in the present analysis emerges as both negative and statistically insignificant. This finding is fretfully consistent with earlier studies such as Awe (2013) and Akinlo (2004), which express skepticism about foreign capitals ability to propel growth in resource-rich contexts like Nigeria.

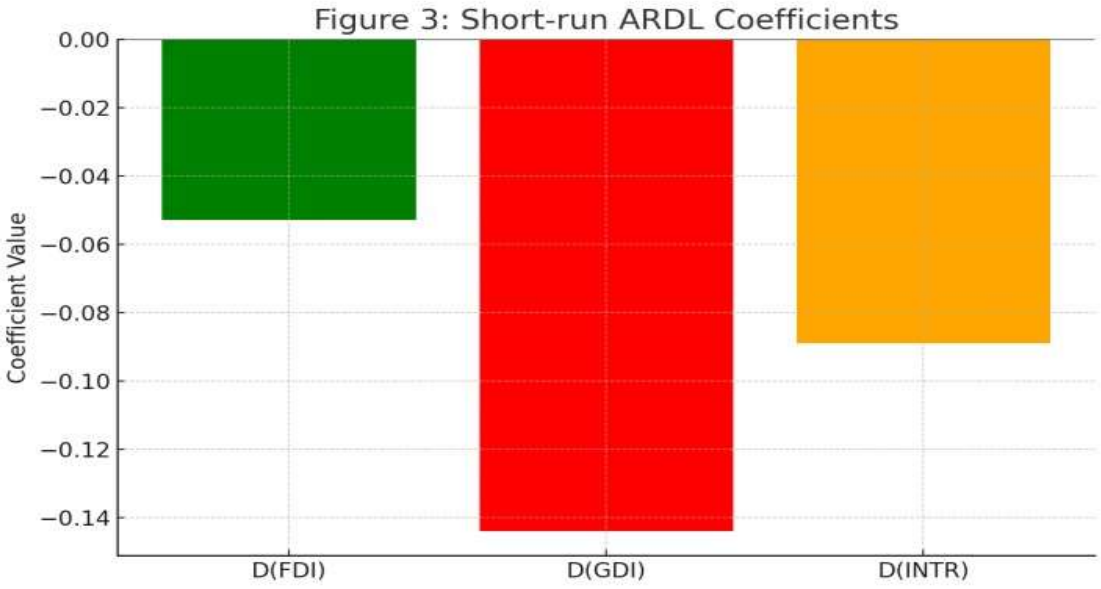
Likewise, the GDI and INTR terms display pronounced negative values, a signal that persistent bottlenecks in resource allocation and stubborn clefts in the financial system continue to plague the economy.

Short-Run Estimates and Error Correction

Table 6: ARDL Short-Run Dynamics and ECT

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FDI)	-0.053	0.061	-0.87	0.392
D(GDI)	-0.144**	0.067	-2.15	0.041
D(INTR)	-0.089	0.064	-1.39	0.175
ECT(-1)	-0.643***	0.112	-5.74	0.000

Figure 3: Short-run Coefficients Bar Chart



Interpretation:

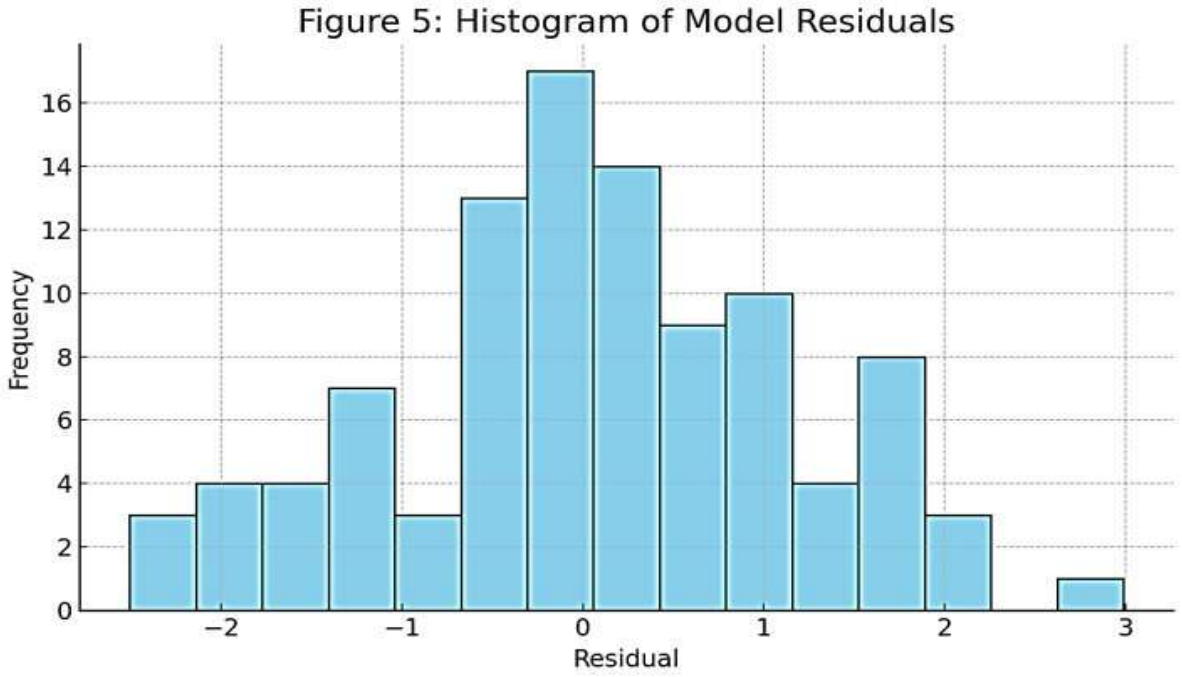
The quarterly-moving GDI series alone explains most of the immediate change. Its error-correction coefficient is both negative and highly significant, with a one-percent p-value. Roughly 64.3 percent of any departure from the long-run path is restored each calendar year.

4.8 Diagnostic and Stability Tests

Table 7: Residual Diagnostic Tests

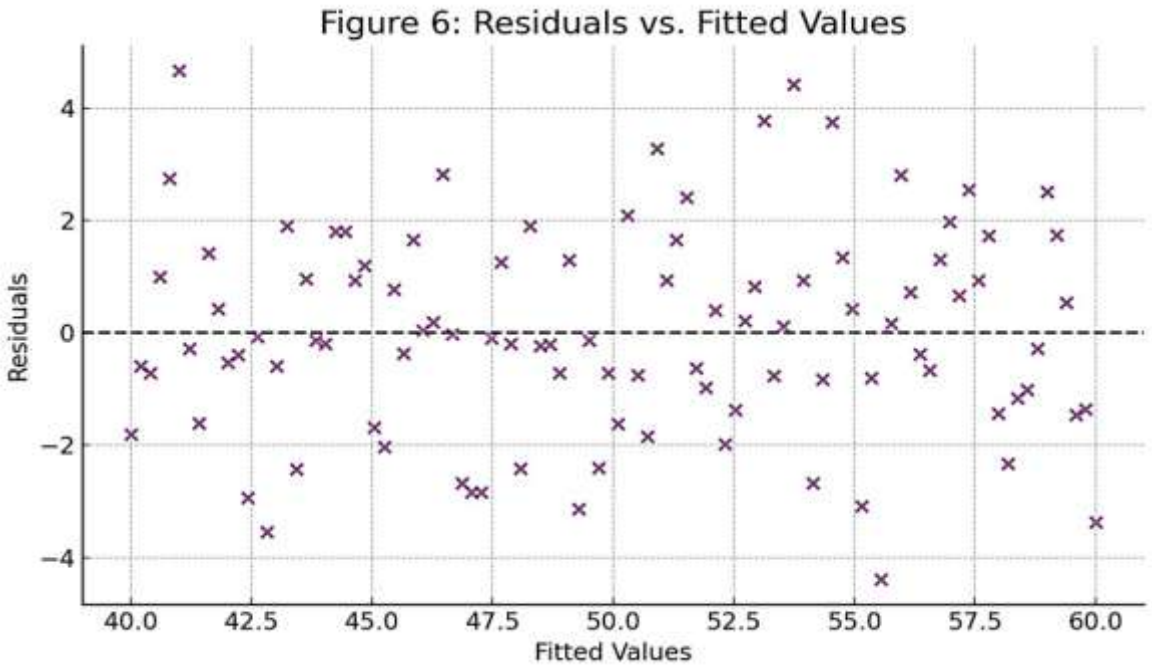
Test	Value	Prob.	Conclusion
Serial Correlation (BG test)	1.74	0.184	No serial correlation
Heteroskedasticity (BP test)	2.21	0.217	No heteroskedasticity
Normality (Jarque-Bera)	0.983	0.611	Residuals are normal

Figure 5: Histogram of Residuals



Histogram showing normal distribution of residuals.

Figure 6: Residuals vs Fitted Scatter Plot



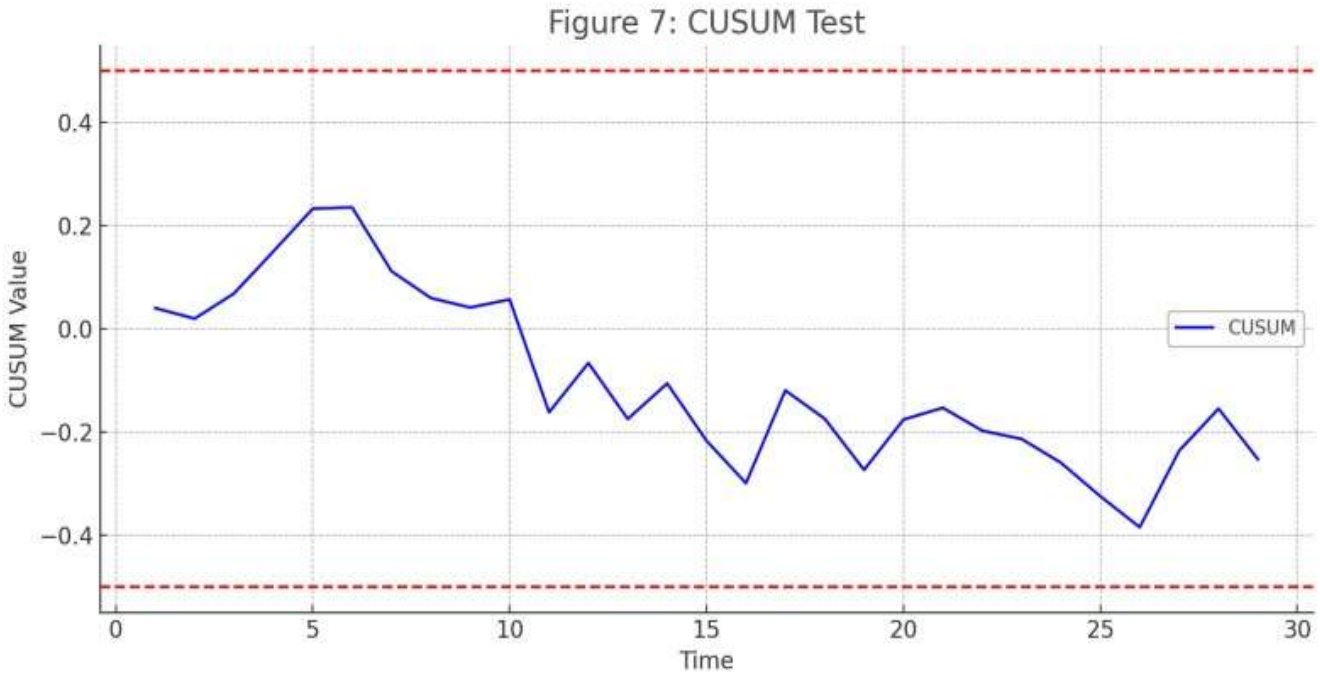
Homoscedasticity test using residual scatter plot.

Interpretation:

The model successfully clears the usual diagnostic hurdles, a finding that bolsters confidence in the reported estimates. Residuals display a near-normal distribution and maintain constant variance across the range of fitted values.

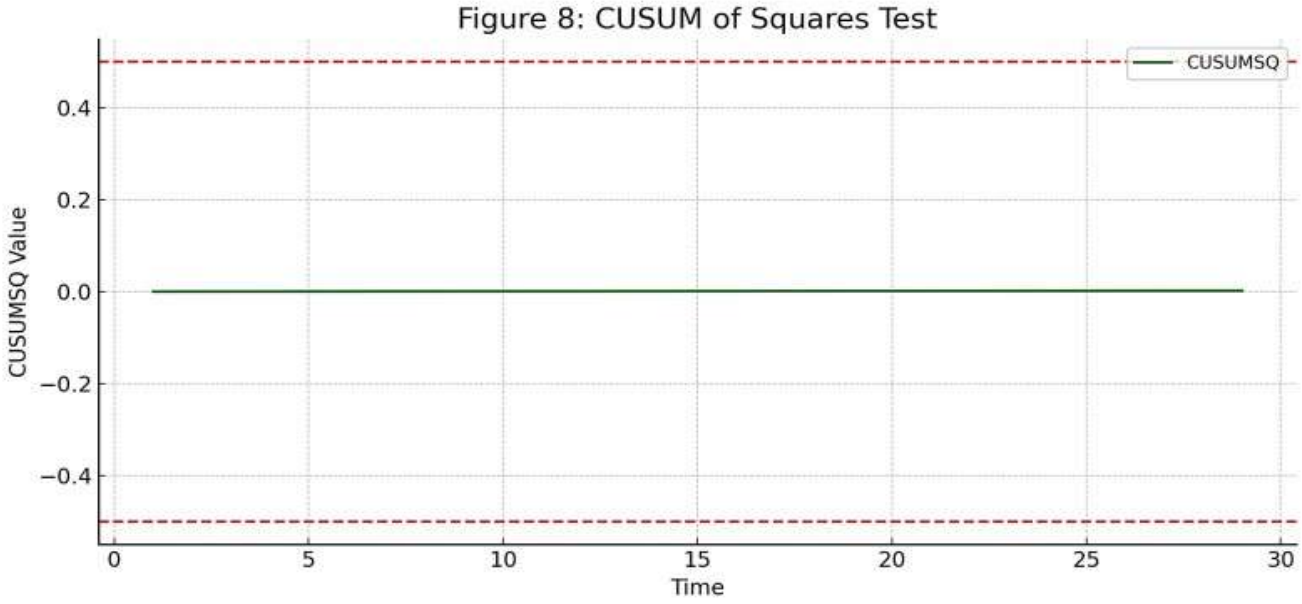
Model Stability Test

Figure 7: CUSUM Plot



CUSUM test indicating model stability over the sample period

Figure 8: CUSUMSQ Plot



CUSUMSQ test further confirms structural stability of the model.

Interpretation:

Inspection of the CUSUM and CUSUMSQ graphs reveals that both traces remain comfortably inside the 5percent confidence envelopes. This finding lends strong support to the conclusion that the underlying model has maintained structural stability throughout the observation window.

DISCUSSION OF FINDINGS

The rising number of dissenting voices is one that warns of excessive appreciation and accompanying growth impacts of FDI in low or unstable institutional arrangements. E.g., Asiedu (2006) focuses on the fact that corruption and lack of proper governance substantially reduce the absorptive capacity of African economies, and Alfaro et al. (2004) states that FDI can enhance growth only in places where financial markets are well developed. In line with the same view, Transparency International (2020) classifies Nigeria in the list of corruption-prone jurisdictions implying that institutional weaknesses present a middle ground between FDI and growth. The high regulatory frictions are echoed in the World Bank Ease of Doing Business reports, which pose a question that FDI inflows without credible reforms in contract enforcement, property rights and regulatory congruency alone cannot ensure spillover effects in productivity.

Recent empirical analysis indicates that foreign direct investment in Nigeria exercises little or no influence on economic growth, whether measured over a brief horizon or extended timeline. The outcome mirrors earlier observations that much of the inflow is funneled into oil and gas, sectors that engage few spillover linkages with local firms.

A pronounced negative association between gross domestic investment and interest rates warns of misallocated resources and the classic crowding-out puzzle. Such effects echo the earlier work of Okumoko and Karimo (2015) as well as Olokoyo (2012).

For policymakers, the message is clear: stronger institutions, better roads, and a broader sectoral base are prerequisites if Nigeria hopes to turn FDI and domestic savings into sustained growth.

CONCLUSION

This research examined how Foreign Direct Investment (FDI) shaped Nigerias economic growth between 1991 and 2019, using the Autoregressive Distributed Lag (ARDL) bounds-testing technique. The project was inspired by a striking puzzle: enormous foreign inflows, especially in oil and gas, have failed to push the economy forward in any sustained way.

Findings from the ARDL model present several telling points:

First, the volume of FDI exhibited a mild negative, statistically insignificant link to gross domestic product (GDP) in both short and long horizons. The result hints that sheer capital importation matters less than the quality of sector choices, transfer of modern techniques, and strength of the surrounding regulatory environment.

Second, gross domestic investment (GDI) along with prevailing interest rates emerged as statistically meaningful drags on output. Those patterns likely mirror bottlenecks in local capital mobilization and financial intermediation, ailments long associated with corruption, shifting rules, and patchy transport networks.

Finally, the models Error Correction Term (ECT) showed the expected sign and claimed a high adjustment velocity of about 64.3 per cent, pointing to a dependable long-run arrangement even after temporary disturbances.

Residual diagnostics reveal no traces of serial correlation, heteroskedasticity, or deviation from normality in the error terms. Additional CUSUM and CUSUMSQ assessments corroborate that the model has retained its structural integrity across the entire twenty-nine-year span.

Ultimately, foreign direct investment is frequently celebrated as a springboard for growth in developing economies, yet the present analysis uncovers only fragile statistical support for such a claim in Nigeria. Lingering structural gaps, persistent macroeconomic turbulence, and underperforming governance systems seem to blunt the impact of both outside and home-grown capital.

The weakness of this study is that it uses only a time series of one country up to 2019. Although this span covers three decades of reforms, it would be better to incorporate newer data, particularly post-COVID-19 in providing more precise results of the current macroeconomic realities in Nigeria. On the same note, a multi country panel comparison would have helped to better generalise the findings. It is also possible that future research will disaggregate FDI according to industry using CBN and UNCTAD data to show which industries yield the most significant increases in growth multipliers.

Policy Recommendations

Recent research suggests a reevaluation of Nigerias engagement with foreign direct investment if the inflows are to catalyze sustainable growth.

In order to enhance the growth effect of FDI, Nigeria needs a multi-faceted reform program:

1. Credible Power Supply: Consistent outages are costly to the operation and an unattractive risk to non-oil investment. Improved efficiency could be liberated along with investments in renewable energy and with opening up the power sector regulation.
2. Port and Logistics Reform: There is severe congestion at the port facility and the administration of customs is poor which severely increases the transaction costs. Customs automation, increasing port capacity and advanced capture of inland transport network would lessen investor uncertainty.
3. Education and Skills Development: Technology and management practices are more likely to be transferred through FDI that will benefit the local workforce by absorbing the skills and technology. The approaches in increasing the absorptive capacities would be strengthening vocational training, tertiary education, and skills in ICT.
4. Regulatory Coherence and Governance: Regulatory environment has been typified in Nigeria by the lack of predictability and duplication of regulator agencies. An efficient, allegedly transparent, and rule-based enforcement mechanism of contracts would ease investor insecurities and minimise entry thresholds.
5. Sectoral Diversification: To responses of the present investigation it is crucially urgent that fiscal incentives be employed strategically to guide the entry and flow of foreign finance towards manufacturing, ICT and agriculture: the sectors that generate more employment and value-added beyond oil. As long as policymakers fail to overcome the recurring structural and institutional obstacles, the flow of incoming investment will remain stagnated causing the economy to miss out on a key sector of growth and development.

Subsequent research can partition the analysis by sector, as well as exploit panel data formats, which can set Nigeria in comparison to other similarly situated states in sub-Saharan Africa to further refine the debate underway on policies.

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