

Foreign Direct Investment and Economic Growth: Empirical Evidence from Nigeria

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Abstract

This study investigates the interrelationships between foreign direct investment and economic growth in Nigeria, using annual time-series data spanning from 1981 to 2021, that is, 41 years. The extent to which the continuously declining foreign direct investment inflows, gross fixed capital formation, net exports, etc. has affected economic growth in Nigeria for the past two decades or so aroused our interest in carrying out the study. The longitudinal research design is utilized since the variables of interest are repeatedly examined to detect any variations that may have occurred within a specific timeframe. The auto-regressive distributed lags (ADRL) approach is deployed to data analysis in order to obtain both the short run and the long run relationships among variables. The outcomes of the study show, among others, that foreign direct investment exerts a positive but insignificant impact on economic growth both in the short run and the long run. As a result, the study concludes that policymakers in Nigeria need to redirect foreign direct inflows to those preferred and critical sectors of the economy (such as the agricultural and manufacturing sectors) where the scale effects of the foreign direct investment can quickly manifest and aid economic growth especially in the long run. The study therefore recommends that the managers of the Nigerian economy should take urgent steps to introduce appropriate policies and incentives that are most likely to facilitate the achievement of the much desired accelerated and sustainable economic growth of the country.

Keywords: Economic Growth, Foreign Direct Investment, Gross Fixed Capital Formation, Autoregressive Distributed Lags.

JEL Classification: F43, L11, N17, O14.

Introduction

Accelerated and sustainable economic growth is of great essence to virtually all countries of the world, especially the emerging ones. The reason for this is simple, sustainable economic growth fuels increases in the production of goods and services with the available stock of capital and other factors of production within the economy (Nnanna, Englama & Odoko, 2004; Ughulu & Ajayi, 2020). In this context, sustainable economic growth entails an increase in per capita income that invariably leads to the attainment of a high standard of living comparable to that of the industrial nations (Todaro & Smith, 2011; Ughulu, 2021). Consequently, the importance of foreign direct investment (FDI) in the economy cannot be overemphasized. An FDI can be conceptualized as the purchase of a controlling interest in a firm or an investment located abroad. Thus, it is the term used to describe a business decision to acquire a substantial stake in a foreign business or its outright purchase so as to expand its operations to a new region. Investors considering the establishment of an FDI

are often interested in those companies that operate in open economies that offer a skilled workforce and above-average growth prospects as well as government regulations that are investment-friendly. It may be important to state that FDIs frequently go beyond capital investment; it also includes the provision of management, technology and machineries and equipment. An important characteristic of an FDI is that it establishes effective control of the foreign business or at least has a majority voice over its decision making.

The role of FDI in economic growth has been vigorously debated in prior studies. While some of such studies are of the view that FDI contributes positively to the growth of the economy (see, for example, Adegbite & Ayadi, 2011; Koojaroenprasit, 2012; Onu, 2012; Adeleke, Olowe & Fasesin, 2014; John, 2016; & Ali and Hussain, 2017), others are of the opinion that FDIs only contribute little or insignificant impacts on economic growth (see, for example, Akinlo, 2004; Louzi & Abadi, 2011).

Nigeria is the third host economy for FDI behind Egypt and Ethiopia in Africa. Some of the investing countries in Nigeria are the United States of America, United Kingdom, China, the Netherlands, and France (UNCTAD, 2018). Nigeria's FDI flows in 2017 dropped by 21% to reach 3.5 billion USD which could be as a result of political instability, lack of transparency, widespread corruption, terrorism and poor quality of infrastructure (UNCTAD, 2018). However, this study tends to re-examine the impact of foreign direct investment on economic growth in Nigeria.

In fact, Nigeria is one of the economies with great demand for goods and services and has attracted many FDI's over the years since the discovery of crude oil. According to the World Bank (1996), Nigeria recorded an average ratio of FDI net inflow of about 1.579 to GDP for the period 1970 to 1979, while it recorded an average ratio of FD net inflow to GDP for the 1980 to 1989 period. In 1993 and 1994, the country made a remarkable record of 8.28 percent and 6.3 percent, respectively. Unfortunately, from 1995 to 2010, FDI net inflows as percentage of GDP in Nigeria did not go beyond 4% except in 1996, 1997, 2005 and 2009 when it stood at 4.51%, 4.25%, 4.44% and 5.08%, respectively.

The World Bank Global Development Finance (2008) shows that while Thailand attracted \$9.6 billion in 2007 Nigeria only attracted about \$6.03 billion. Also, CBN (2010) Annual Report indicated that total FDI inflow to the Nigerian economy stood at about \$5.99 billion in that year. The breakdown of the amount according to the report shows that FDI portion was just 12.2 percent or \$668 million.

Based on the foregoing background, the main objective of the study is to examine the impact of FDI on economic growth in Nigeria for the period 1981 to 2021 – 41 years.

Statement of the Research Problem

Foreign Direct Investment (FDI) has long been a source of contention in the growth process. Despite the fact that this debate has provided rich insights into the relationship between FDI and growth, there has been very little empirical analysis of the issue, owing in part to the lack of a conceptual design and a succinct testable hypothesis. Endogenous growth

theory, a recent development in growth theory, provides such a conceptual framework for analyzing the impact of FDI on growth.

Despite the presence of foreign capital in the majority of the Nigerian economy, only a few studies have attempted to examine some aspects of direct foreign investment in the country. Even so, these have tended to be descriptive, particularly with the regard to trends, incentives, motivations, linkage aspects, and foreign investments distribution (Hakam, 1966; May, 1965; Edozien, 1968; Langley, 1968; Central Nigeria, 1964-79).

Literature Review

This section is subdivided into conceptual review and empirical review which are presented as follows:

Conceptual Review

The conceptual issues of the study are briefly reviewed, thus:

Economic Growth

Economic growth is an increase in the production of goods and services over a specific period usually one year (Kimberly Amadeo, 2021). It is the increase in the value of an economy's goods and services, which yields more profits for businesses as well as creates job opportunities for the teeming unemployed people. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services, and purchases drive a higher growth. For this reason, all countries want positive economic growth. This makes economic growth the most watched economic indicator. If a country is not blessed with the factors of production, it must find other ways to spur growth. Government wants to increase growth because it increases tax revenue.

While Heather Hennerich (2020) states that economic growth allows businesses to more workers thereby increasing their profitability. The government stimulates growth with expansive fiscal policy.

The relationship between foreign direct investment and economic growth in Nigeria for the period 1981 to 2021 constitutes the major task of the study.

Foreign Direct Investment

Foreign investment involves the transfer of movable or immovable assets in whole or in part, from the country of origin to the host country for the purpose of using it to improve the welfare of the host country, under the control of the owner (Somarajah, 2010). This definition tends to ignore the main objective of the investor which is to always make profit rather than to increase the welfare of the country, whether it is operating in its own country or in a foreign country. African countries, with the exception of some countries which are rich in oil and natural resources, account for only 0.8 per cent of all foreign direct investments globally. With this meager share of the world FDI inflows, it can be seen clearly

that foreign investors do not act with the motive of increasing the welfare of countries, but with the aim of making a profit.

FDIs are generally described as the investments from developed countries to developing economies (UNCTAD, 2020). Although the doctrine of this view is fast losing its validity with the changing conditions in tandem with today's economic order, it is apparent that FDIs to developed countries are fairly as much as those to developing countries. For example, in 2015, FDIs to developed countries accounted for 55% of all direct investments and this figure further fell to 43% in 2018.

One of the issues to be verified empirically in the study is the extent to which foreign direct investment has impacted economic growth in Nigeria.

Gross Fixed Capital Formation

The gross fixed capital formation consists of resident producers' investments, deducting disposals, in fixed assets during a given period (Adegbite & Owualla, 2017). It also includes certain additions to the value of non-produced assets realized by producers or institutional units. Fixed assets are tangible or intangible assets produced as outputs from production processes that are used repeatedly, or continuously, for more than one year (Anetta Kuna-Marszałek, 2019).

The role of gross fixed capital formation in economic growth in Nigeria remains to be resolved empirically in the study.

Net Exports (NX)

Net exports (also known as balance of trade) are the values of a country's total exports minus the value of its total imports (Adam Hayes, 2023). In this context, net exports are a measure of a nation's total trade (Oaikhenan & Ughulu, 2006). Its formula is simple: the value of a nation's total export goods and services minus the value of all the goods and services it imports equals its net exports. A nation that has positive net exports enjoys a trade surplus, while negative net exports indicate that the nation has a trade deficit (Ughulu, 2006). A nation's net exports are thus a component of its overall balance of trade. The extent to which net exports has stimulated increasing foreign direct investment in Nigeria remains one of the issues to be resolved empirically in the study.

Capacity Utilization Rate

The capacity utilization rate is the relationship between the actual and maximum potential outputs. It is a significant measure for a business or an economy. It may be used to assess efficiency in business operations and may be very helpful in determining levels of production costs. Simply put, if the company is operating at a high capacity utilization rate, the cost per unit of production is lower compared to a company operating at a low capacity utilization rate. Hence, if possible, most companies aim to increase this rate and work close to the full capacity. The capacity of any business or company is the totality of its potential. In a production firm, full capacity is defined as being able to produce at its maximum level.

The level is determined by the raw materials and the space and ability of production to manufacture a certain number of products (Antonette Dela Cruz, Artem Cheprasov 2022). One of the issued to be investigated empirically in the study is whether or not capacity utilization rate is a significant factor in FDI inflows to Nigeria and, invariably, her economic growth within the period being studied.

Exchange Rate

Exchange rate refers to the value of one currency (the domestic currency) in terms of another (foreign currency). It is also the price at which one unit of a country's domestic currency exchanges for any other country in the world. Hence, Osiegbu % Onuorah (2012) posit that exchange rate plays a key role in international economic transactions because no nation can remain in isolation due to varying factor endowments. Movements in the exchange rate have ripple effects on other economic variables such as interest rate, inflation rate, import, export, output, etc. These facts underscore the importance of exchange rate to the economic well-being of every country that opens its doors to international trade in goods and services. The importance of exchange rate derives from the fact that it connects the price systems of two different countries making it possible for international trade to make direct comparison of traded goods. In other words, exchange rate links domestic prices with international prices. Through its effects on the volume of imports and exports, exchange rate exerts a powerful influence on a country's balance of payments position.

One of the tasks of the study is to examine empirically the role of exchange rate (\$/N) in influencing FDI inflows to Nigeria within the period being studied.

Inflation Rate

Inflation rate gives the percentage change in the price index in a particular period compared to that recorded in a preceding period (European Commission). Fernando (2023) defined inflation rate as the rate at which prices for goods and services rise (investopedia.com). Inflation can be computed on a year-on-year or annual basis. For an index value of 243.6 for January 2023 and an index value of 196.2 for January 2022, the annual rate of inflation of 2023 would be $(243.6/196.2) * 100 = 2.6\%$, Ughulu, Aliyu & Ughulu (2023), www.scholink.org/ojs/index.php/jepf.

The relationship between inflation and foreign direct investment and, invariably, economic growth in Nigeria will be examined empirically in the study.

Empirical Review

Ajayi & Ireti (2022) examined the relationship between foreign direct investment (FDI) and economic growth (GDP) in Nigeria between 1981 and 2020 and found that there existed a long-run significant relationship among the variables employed and the finding aligned with those of Abu (2013) and John (2016). While interest rates and trade openness have insignificant short and long-run impacts on the economic growth. Furthermore, the

Pairwise Granger Causality exhibited bidirectional causality between FDI and economic growth (GDP) and the finding supported those of Mounir & Atef (2018).

Ebunoluwa, & Osman (2021) investigated the relationship between FDI and economic growth in Nigeria and found that FDI served as a means of earning foreign reserves via investments, businesses and foreign aids from advanced countries. This finding seems apt as it can be considered as a valuable source of finance and capital formation, technology transfer and know-how, as well as a viable medium for trade among countries. Similarly, the Spillover effect of FDI also allows for the transfer of innovations and invention to the receiving countries.

Tubo et al (2018) investigated the impact of FDI on economic growth in Nigeria using annual data for 1981 to 2016 and found that there existed a one-way causality from FDI to GDP and a bi-directional causality between FDI and GFC, implying that building of durable world class infrastructure that will boost capital stock is needed by the government and private sector to enhance FDI inflow and, invariably, economic growth

Ahmed & Ogiemudia. (2016). In their study reveals that Foreign Direct Investment (FDI) has both immediate and time lag effect on Nigeria economy in the short run. And FDI has a non significant negative effect on the Nigerian economy in the long run during the period under review. This was further confirmed by the causality test which shows that FDI granger causes RGDP and not the other way. Thus, FDI has a significant positive effect on the growth as well as the development of the Nigerian economy only in the short run during the period under review. We therefore conclude and recommend that government should ensure stable macroeconomic policies as a stabilization tool to propel the attraction of more FDI into Nigeria and dependency on foreign direct investment should remain limited.

Ugwuegbe U., Okore A., & John O.O. (2013). This study investigates the empirical relationship between Foreign Direct Investment and economic growth in Nigeria. The work covered a period of 1981-2009 using an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The study also added Gross Fixed Capital Formation with a view to capture the effect of domestic investment on the growth of the economy for the period under review. Interest Rate and exchange rate were also added as control variables in the model. Granger causality test was also employed to determine the direction of causality between FDI and economic growth in Nigeria. The result of the OLS techniques indicates that FDI has a positive and insignificant impact on the growth of Nigerian economy for the period under study. GFCF which was used as a proxy for domestic investment has a positive and significant impact on economic growth. Interest rate was found to be positive and insignificant while exchange rate positively and significantly affects the growth of Nigeria economy. Therefore, government should provide an enabling environment that will encourage foreign investors to invest in Nigeria economy by addressing the security challenges in the country, providing investment friendly environment by improved regulatory framework as well as encourage domestic investment.

The study of Asiedo (2003) investigated the impact of political risks, institutional framework and government policy on the FDI flows and found that macroeconomic stability, efficient institutions, political stability and good regulatory framework have positive impacts on FDIs.

Theoretical Framework and Model Specification

Theoretical Framework

This study is anchored on the internationalization theory which was developed by Buckley & Cascon (1976) and postulates that:

- i. Firms maximize profits in a market that is imperfect.
- ii. When markets in intermediate products are imperfect, there is an incentive to bypass them by creating internal markets.
- iii. Internalization of markets across the world leads to MNCs.

Model Specification

The functional form of the model of this study is specified, thus;

$$RGDP = f(FDI, GFCF, EXR, CUR, INF) \dots \dots \dots (2)$$

Expressing equation (2) in an econometric form yields:

$$RGDP_t = \beta_0 + \beta_1 FDI_t + \beta_2 GFCF_t + \beta_3 EXR_t + \beta_4 CUR_t + \beta_5 INF_t + U_t \dots \dots \dots (3)$$

Where

RGDP	-	Real Gross Domestic Product
FDI	-	Foreign Direct Investment
GFCF	-	Gross fixed Capital Formation
EXR	-	Exchange Rate
CUR	-	Capital Utilization Rate
INF	-	Inflation Rate
u	-	Stochastic Disturbance (Error term)
f	-	Functional Relationship
β_0	-	Constant on Intercept
$\beta_1 - \beta_5$	-	Slope coefficients

Data Presentation and Interpretation of Results

Data Presentation

The data sets for the study are contained in Appendix I of this study.

Unit Root Tests

Three tests are used to check the level of stationarity among the variables in the model. These are the Augmented Dickey-Fuller, and the MZ_{α}^{GLS} and MZ_t^{GLS} by Ng and Perron (2001). These various tests provide different aspects of the consideration of the unit root properties of the datasets. While the ADF tests provide evaluation of stationarity, the Ng

and Perron tests provide direct tests of unit roots. Each of the tests in levels is reported in Table 1, and they all indicate important elements of the characteristics of the variables:

Table 1: Unit root tests for variables in first difference

Variable	Exogenous regressor	ADF	MZ_{α}^{GLS}	MZ_t^{GLS}
RGDP	Constant	0.014	-0.183	-0.148
FDI	Constant	-1.993	-5.668	-1.244
GFCF	Constant	0.667	-20.01**	-3.009
CUR	Constant	-1.957	-1.947	-0.987
EXR	Constant	-2.134	0.899	1.047
INF	Constant	-3.582*	-4.252	-1.390
NX	Constant	-1.332	-4.811	-1.383

Note: * and ** indicate significant at 5% and 1%, respectively.

Source: Regression Output, Using E-Views 10 (2023).

In each of the cases, the Akaike information criterium was used to determine the number of lags in the regressions for the tests and a constant term was included as deterministic components. The results in Table 4.3 show that all the variables are non-stationary at levels (except inflation rate which is significant and shows that it is stationary at levels).

Co-integration Test

Given not all the data for the variables are integrated of the same order, the test for common stochastic trends in the data series required is the Bounds co-integration test procedure in order to further determine the time series properties. The evaluation of the Bounds co-integration results shown in Table 4.5 is based on the critical F-statistic values for the lower and upper bounds as also reported in the results. The evaluation of the bonds test is based on the following procedure: if at any significance level, the estimated F-value is greater than both the lower test (lo Bounds) and the upper test (l1 Bounds) values, then there is no co-integration among the variables. If the estimated F-value lies between the two Bounds values, then there is need to proceed with a lesser structure of the ECM analysis. However, if the estimated value lies above both Bounds test values, then there is clear co-integration among the variables. The results of the co-integration test are contained in Table 2:

Table 2: Results of Bounds Approach to Co-integration Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	8.411973	10%	1.99	2.94
K	6	5%	2.27	3.28
		2.5%	2.55	3.61
		1%	2.88	3.99

Source: Regression Output, Using E-Views 10 (2023).

The results in Table 2 indicate that the computed F-value for the Bounds test of 8.41 is larger than both the I(0) and I(1) Bounds tests at the 1 percent. The F-value therefore passes the significance test at the 1 percent level for the growth equation. Thus, a long run relationship is established between economic growth and both FDI and other variables in the model. This provides a strong background for the analysis of the ARDL model in the study.

The Short Run Relationships

The short run estimates of the Equation specified in Chapter Three are based on the error correction representation of the relationships. The short run results are presented in Table 3 where the coefficients of the estimates are shown in terms of current and lagged values.

Table 3: Short run Results

Variable	Coefficient	t-Statistic	Prob.
$\Delta LFDI$	0.023	1.24	0.27
$\Delta LFDI_{t-1}$	0.146	6.48	0.00
$\Delta LFDI_{t-2}$	0.155	7.69	0.00
$\Delta LFDI_{t-3}$	0.205	11.38	0.00
$\Delta LGFCF$	0.038	0.49	0.65
$\Delta LGFCF_{t-1}$	-0.500	-6.37	0.00
$\Delta LGFCF_{t-2}$	-0.168	-1.87	0.12
$\Delta LGFCF_{t-3}$	-0.507	-6.22	0.00
$\Delta LCUR$	0.717	4.96	0.00
$\Delta LCUR_{t-1}$	-0.741	-5.67	0.00
$\Delta LCUR_{t-2}$	-0.347	-3.44	0.02
$\Delta LCUR_{t-3}$	-0.166	-1.55	0.18
$\Delta LEXR$	-0.320	-9.66	0.00
$\Delta LEXR_{t-1}$	0.297	6.74	0.00
$\Delta LEXR_{t-2}$	-0.007	-0.15	0.89
$\Delta LEXR_{t-3}$	0.222	5.30	0.00
ΔINF	-0.019	-1.75	0.14

ΔINF_{t-1}	-0.078	-6.46	0.00
ΔINF_{t-2}	-0.091	-8.06	0.00
ΔINF_{t-3}	0.016	1.57	0.18
ΔNX	0.002	2.25	0.07
ΔNX_{t-1}	-0.002	-3.48	0.02
ΔNX_{t-2}	-0.002	-2.79	0.04
ΔNX_{t-3}	-0.002	-2.80	0.04
ECM_{t-1}	-0.582	-12.71	0.00
R-squared	0.979		
Adj. R-sq.	0.936		
LM Serial Correlation Test			

Source: Regression Output, Using E-Views 10 (2023).

The diagnostic test in the equation is based on the adjusted R-squared value. In the estimate, the adjusted R-squared value is quite at 0.936. This shows that all the independent variables put together are able to explain approximately 94% of the short-term systematic variations in economic growth in Nigeria. This provides a background to demonstrate that the models exhibit impressive predictive capacity.

The coefficient of current FDI fails the significance test at the 5 percent level. However, the coefficients of the lagged FDI from the first to the third lags are significant at the 1 percent level, indicating that FDI inflows actually have significant short-run impacts on real GDP growth in Nigeria. The impacts are however delayed in the short run given that only the coefficients of the lagged variable are significant. The short run coefficients of GFCF are negative and only the first and third are significant. This shows that in the short run, GFCF has a significant negative impact on economic growth in Nigeria. The coefficients of capacity utilization (CUR) are also all negative, suggesting that the short-run impact of CUR on economic growth in Nigeria is negative. Indeed, the coefficients of inflation, exchange rate and net exports are all mainly negative and significant. These results therefore show that only FDI has unambiguously significant and positive impact on economic growth in Nigeria and in the short run. All the other variables mainly tend to reduce economic growth in the short run.

Long Run Estimates

The coefficient of the error correction term -0.582(0.00) has the expected negative sign and is significant at the 1 percent level. These conditions indicate the presence of long run stability in economic growth in Nigeria based on the interactions with FDI, GFCF, CUR, EXR, and INF. The coefficient is moderately large at -0.582 and shows that over 58 percent of the long run adjustment (following a short-term deviation) will be restored after the first period. The results of the long run relationships among the variables are reported in Table 4:

Table 4: Long run Results

Variable	Coefficient	t-Statistic	Prob.
LFDI	0.233	0.670	0.533
LGFCF	1.080	4.229	0.008
LCUR	2.011	4.587	0.006
LEXR	-0.701	-4.405	0.007
INF	0.170	0.748	0.488
NX	0.012	1.858	0.122
Constant	-8.621	-4.075	0.010

Source: Regression Output, Using E-Views 10 (2023).

In the results, the coefficients of GFCF, CUR, and EXR pass the significance test at the 1 percent level, while the coefficients of FDI, INF and NX fail the significance test even at the 5 percent level. This result therefore shows that although FDI significantly promotes economic growth in the short run, the impact of FDI on the economy in the long run is insignificant. On the other hand, gross fixed capital formation and capacity utilization rate have significant long run impacts on economic growth in Nigeria. This result therefore shows that domestic capital, rather than foreign capital, is the most important factor in driving economic growth in Nigeria in the long run. Moreover, exchange rate has a significant negative impact on FDI inflow in the long run. This implies that the persistent depreciation of the naira significantly limits economic growth in Nigeria over time. The effects of inflation and net exports on the economic growth in Nigeria are insignificant in the long run.

Summary, Conclusion and Recommendations

Summary of Findings

In this study, the role of foreign direct investment on economic growth in Nigeria is investigated. In particular, the study considers the short-run and long run relative effects of FDI as a tool for boosting economic growth in the country. Specifically, the following findings are made:

- That FDI has positive but no long run significant impact on economic growth in Nigeria although the short run impact is positive and significant.
- That Gross Fixed Capital Formation has a significant and positive impact on economic growth in Nigeria on a long run but on a short run the impact is negative.
- That exchange rate has a significant and negative relationship with economic growth in Nigeria in the long run. This implies that exchange rate depreciation significantly limits economic growth in Nigeria.
- That domestic capital has more significant impact on economic growth than foreign capital inflow in the long run.

- v. That inflation does not have a significant relationship with economic growth in the long run, although the short run impacts are significant and negative.

Conclusion

The pursuit of sustainable development among developing countries has engendered issues of international collaborations especially in areas of trade and financial development. With the globalized nature of economies in the world today, foreign direct investment (FDI) has become increasingly important in the developing world, with a growing number of developing countries succeeding in attracting substantial and rising amounts of inward FDI. In this study, the role of FDI on economic growth has been demonstrated to be limited to only short run impacts. Thus, indicating that FDI may not have been fully utilized in the Nigerian economy to achieve the desired growth patterns for the country. Policymakers in the country therefore need to re-direct FDI into choice and critical sectors like agriculture and manufacturing where scale effects can be better obtained in order to deliver more long run impacts of FDI on growth in Nigeria.

Recommendations

Based on the findings of the study, the following recommendations are proffered:

- i. Since the study has shown that foreign direct investment is an important investment option to be employed in boosting macroeconomic growth in Nigeria, the focus of policy makers should be on increasing FDI inflows in a way that will generate long-run positive outcomes in the economy. In particular, more brown-field FDI inflows with greater sectoral impacts should be encouraged.
- ii. Nigeria's national industrial policy must be such that can accommodate the fast pace of the global investment inflows through maximization of the benefits accruable from foreign direct investment including but not limited to technology transfer, increasing capital formation and minimization of the costs in order to enhance the welfare of Nigerians.
- iii. There is also the need to ensure that FDI contributes significantly to priority sectors of the economy where capital is more critically and urgently needed. There is no point directing FDI into sectors that may not contribute more strategically to the growth and development pursuit of the country, especially in the long run. Moreover, growth-enhancing policies coupled with sound macroeconomic policies foster a healthy rate of returns to investment and hence attract FDI. Such policies must be put in place without much delay so as to elicit the long run positive FDI impacts on the Nigerian economy. It is needless to state that through prevailing sound and stable macroeconomic policies and programs sustainable economic growth will be assured in Nigeria.
- iv. In order to maximize the benefits of FDI (especially in the long run), the managers of the Nigerian economy must establish and promote more efficient investment agencies that are designed to oversee the coordination between domestic and

foreign investments. Ideally, therefore, a central body or institution should be established to promote and market investment opportunities in Nigeria. Doing this will be a viable attraction for FDI promoters.

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Appendix I: Data for Study

YEAR	RGDP\$(B)	FDIs(B)	NX\$(B)	GFCF(N)B	EXR%	INF%	CUR%
1981	164.48	0.54	-1.63	124.52	0.61	0.38	73.3
1982	142.77	0.43	-0.56	128.10	0.67	0.18	63.6
1983	97.09	0.36	0.99	120.26	0.72	0.63	49.7
1984	73.48	0.19	2.44	97.78	0.76	0.79	43.0
1985	73.75	0.49	2.8	87.14	0.89	1.0	38.3
1986	54.81	0.19	0.75	108.87	2.02	13.7	38.8
1987	52.68	0.61	3.27	122.46	4.02	9.7	40.4
1988	49.65	0.38	2.68	138.10	4.54	61.2	42.4
1989	44.00	1.88	7.18	217.75	7.39	44.7	43.8
1990	54.04	0.59	5.96	262.77	8.04	3.6	40.3
1991	49.12	0.71	5.63	285.59	9.91	23.0	42.0
1992	47.79	0.90	4.65	396.61	17.30	48.8	38.1
1993	27.75	1.35	1.78	559.15	22.05	61.3	37.2
1994	33.83	1.96	1.37	744.09	21.89	76.8	30.4
1995	44.06	0.34	3.87	1153.47	21.89	51.6	29.29
1996	51.08	0.50	2.96	1494.75	21.89	14.3	32.46
1997	54.46	0.47	3.18	1697.77	21.89	10.2	30.4
1998	54.60	0.30	-1.63	1948.65	21.89	11.9	32.4
1999	59.37	1.00	4.87	2098.54	92.69	0.2	34.6
2000	69.45	1.14	16.01	2404.82	102.11	14.5	36.1
2001	74.03	1.19	5.05	2473.47	111.94	16.5	42.7
2002	95.39	1.87	6.15	3078.78	120.97	12.20	54.9
2003	104.91	2.01	4.37	3846.23	129.36	23.80	56.5
2004	136.39	1.87	11.75	4723.72	133.50	10.00	55.7
2005	176.13	4.98	15.87	5772.64	132.15	11.60	54.80
2006	236.10	4.85	38.88	7948.12	128.65	8.50	53.30
2007	275.63	6.04	8.64	6997.62	125.83	6.60	53.38
2008	339.48	8.19	35.79	7535.27	118.57	15.10	53.84
2009	295.01	8.56	3.55	9177.08	148.88	12.00	55.53
2010	361.46	6.03	28.92	9183.06	150.30	11.80	56.22
2011	404.99	8.84	40.32	9897.20	153.86	10.30	57.00
2012	455.50	7.07	84.54	10281.95	157.50	12.00	57.80
2013	508.69	5.56	25.69	11478.08	157.31	8.00	58.00
2014	546.68	4.69	32.72	13593.78	158.55	8.00	60.20
2015	486.80	3.08	0.00	14112.17	193.28	9.60	59.80
2016	404.65	3.45	-9.25	15104.18	253.49	18.60	48.46
2017	375.75	2.41	-0.02	16908.13	305.79	15.40	54.20
2018	397.19	0.78	-8.00	24550.24	306.08	11.40	55.00
2019	448.12	2.31	-25.01	35863.98	306.92	11.98	55.36
2020	432.29	2.39	-29.07	41253.55	358.81	15.80	54.70
2021	440.78	2.43	-29.77	58293.95	399.96	15.63	55.80

Source: CBN Statistical Bulletin