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The Impact of Foreign Direct Investment on Nigerian Economic Growth

Shehu Abubakar Tarasa[1] and Basiru Ahmad[1]

[1]Department of Political Science, Federal University Birnin Kebbi.

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Abstract: This study examined the impact of FDI on Nigerian economic growth during the period 1999-2020, the research uses both primary and secondary sources of data. The primary data was gotten from the interviewees of Nigerian ministry of trade and finance while the secondary data was mainly sourced from the World Bank indicator. The objectives of this work are to examine the influence of FDI on economic growth of Nigeria, to investigate the effect of governance on the economic growth of Nigeria and to understand the effect of domestic investment of Nigerian economic growth. The variables used are FDI, economic growth, governance and domestic investment. The findings of this research disclose that FDI positively affect Nigerian EG during the period of study especially from 2018 to 2020. It also revealed that, it is the kind of natural resources which the country has that attracted FDI into the country. As the findings suggest, it is necessary for Nigeria to entice FDI so as to boost its economic growth. The research suggest that there is need for government to enhance the FDIs environment so as to take the benefit of the latest international interest in the event of Nigeria by applying strong macroeconomic strategies, refining the investment climate, encouraging innovations, establishing a transparent legal system which will not favor local investor from international investor, improving good and quality infrastructure and lastly the government should implement strategies which would make FDI to become so attractive in investing into the country.

Keywords: Foreign Direct Investment, Economic Growth, Domestic investment, Nigeria

1. Introduction

The aim and goal of any country in the world is to attain and sustain Economic Growth (EG) for the current and future generations (Tahir et al., 2015). EG is extremely reliant on the effective use of the economic productive factors. Nevertheless, since the late 1950s, researchers have been looking at what elements influence the countries EG (Lucas, 2015). Foreign Direct Investment (FDI) is one of the elements that have been identified. FDI is a method of increasing the physical and human capital of a host country, which can lead to a rise in real GDP. Furthermore, FDI aids in the generation of

technical spillovers, the transfer of information, the development of new firms, and the integration of host nations into global economic trade (Jawaid et al., 2016).

Aside from FDI, government or good governance has a vital impact on the country's economic success (Jude & Levieuge, 2017). “Poor institutional quality leads to negative economic issues such as low investment, low productivity, and low GDP per capita, all of which delay the EG process. Good institutional quality, on the other hand, ensures high investment, efficient factor allocation, decreases uncertainty, and facilitates the coordination of economic agents, resulting in economic progress” (Jude & Levieuge, 2017). According to Acemoglu & Robinson (2018), correct institutional measures help the nation since quality institutions serve as a public moral, and all agents employ these characteristics to benefit, resulting in an increase in the rate of EG.

FDI's importance cannot be overstated. Its tremendous impact on the development of new technology, goods, managerial skills, and a competitive corporate climate has fueled economic progress over time. Many countries around the world, particularly emerging economies, favor policies that encourage the inflow of FDI because of the positive spillover associated with the provision of funds and expertise that could help smaller companies expand and increase international sales and technology transfer, resulting in the formation of new varieties of capital input (i.e. flow of services available for production from the stock of capital goods, such as equipment, structures, and machinery).

Nigeria is a country rich in fertile land, natural resources, and a vast market with the potential to attract FDI and promote economic development. Since its independence, different government policies have been aimed at ensuring that resources are properly and efficiently harnessed and exploited for the benefit of the people. Thus, the government's foreign investment policies and tactics in Nigeria have always been guided by two fundamental goals: the need for economic freedom and the requirement for market progress (Ezeanyeji & Maureen, 2019). Previously, FDI was viewed as an "economic parasite" that harmed the home market for export promotion which negatively affect EG in many nations, particularly emerging countries.

“Academicians and policymakers have disputed the role of FDI in economic development, particularly in developing nations for many decades. Such discussions and questions have been difficult to address, not only because the debate has been skewed by numerous ideological ideas, but also because the very fundamental characteristics of cross-border investment have evolved over time”. Indeed, the paradigm and pattern of FDI have altered dramatically during the previous few decades. According to the OECD (2016) foreign direct investment is a type of cross-border investment made by a person residing in one economy (the direct investor) with the goal of creating a long-term interest in a company (the direct investment enterprise) found in a diverse economy.

A strategic long-term linking with the direct investment initiative to ensure a significant degree of impact by the direct investor in the management of the direct asset enterprise is the direct investor's inspiration. When a direct investor owns 10% or more of a direct investment firm's voting power, this

is referred to as "lasting interest." The terms effect or control, are used to differentiate FDI with portfolio investment, which is a short-term asset in which the stockholder doesn’t intend to direct the owner. “FDI differs from other types of international investments in part because of its impact or control on management decisions and productivity. This power implies, for example, that the investor can elect members of the foreign firm's or subsidiary's board of directors” (Egbo, 2010).

A thriving investment vehicle that provides a significant injection of cash is a critical driver for any economy's economic development, but this is particularly true of emerging economies like Nigeria (Egharevba 2017). FDI has played an important role in the economic growth of many emerging economies; its ability to stimulate commercial activity, provide scarce resources, encourage infrastructural development, and reduce joblessness has been demonstrated in a number of empirical studies (Egharevba, 2017). Multinational businesses (MNCs) have made cross-border investments that have aided the economic development of numerous emerging countries at various stages of development (Denisia, 2010). Nigeria, Africa's strongest economy, grapple to entice FDI as a source of revenue, limiting the nation’s capability to endure its economy and finance telecommunications infrastructure expansion (Danladi & Akomolafe, 2013 as cited in Egharevba, 2017). In both developed and developing countries, the role of FDI in economic development is widely known and documented. It's also been proven that FDI flows to developing countries, particularly Africa, and Nigeria in particular, are unevenly distributed. “The causes for the differences have been presented in a variety of ways depending on who is making the case, raising questions about the exploration's neutrality”.

Direct investment may also allow the direct investor to obtain access to the direct investment enterprise's economy, which it might not be able to accomplish otherwise. Direct investment goals differ from portfolio investment goals, in which investors do not expect to have a say in how the company is run. Direct investment enterprises are corporations that are either subsidiaries or associates with over 50% voting power, or quasi-corporations like branches that are functionally 100% controlled by their respective parents.

Traditionally, FDI has been viewed as a flow of capital from the North to the South by large Multinational Corporations (MNCs) from developed countries investing in developing countries, primarily to exploit natural resources or to replace trade as a means of serving domestic consumption markets. In recent years, this paradigm has shifted dramatically. Over the last few decades, international investment patterns have shifted considerably. The mechanisms used by FDI have significantly changed over time and it also involves the relationship between investment and trade as well as rules guiding FDI.

According to UNCTAD (2014), “FDI in developing countries once tended to concentrate almost entirely on natural resources. However, many of these countries have now become hosts of FDI involving the more sophisticated production of goods and services. Developing countries are also becoming the source of FDI into other developing as well as industrial countries. Indeed, in 2014

emerging and transition economies accounted for 39 percent of global FDI outflows–up from 12 percent in the early 2000s". Today, MNCs' overseas affiliates produce more goods and services than they do through trade alone, resulting in a greater number of goods and services reaching consumers.

2. Literature review

Different scholars have distinct views with regard to the definition of the term "quality" the most common words that defined the quality in this context are "to make customer delighted by fully meeting their needs and expectations". These may include performance, appearance, availability, delivery, reliability, maintainability, cost effectiveness and price. therefore, it is very much important for the organization to know what these needs and expectations of customers are. Additionally, after the organization was able to identify them, it must be able to understand them in full, and identify its potentials to realize them.

Quality means "the extent to man-made objects or systems are free from maladies and flaws, as contradicted by the scope of function or quantity of an item". Crosby: (1979), cited in Oluwatoyin (2018) had defined the term quality as a total for conformation to the agreed specifications or requirements, he also opined that for quality to be managed adequately, there must be a yardstick that can measure it. Peters (2014) noted that quality is a "magic bullet" that reduces cost, provides greater services and products to customers, and higher margin is achieved. He further described it with beauty which is in the eyes of the beholder. This depends on what the customers say it is.

FDI has been defined and described in a variety of ways, and we'll look at a few of them. Before today, FDIs were viewed as an "economic parasite" unhealthy competition that might stifle domestic markets for export promotion and so stifle economic progress in many nations, particularly emerging countries. However, many policymakers have recently recognized the multiple benefits that come with FDI inflows, and many countries throughout the world, including Nigeria, are now actively pursuing FDI inflows. This is because they now see FDI as a tool for economic development a "cheaper source of funding" (owing to the fact that financial inflows from FDI do not generate the problem of loan repayment of principal or interests as opposed to external debt). As a result, Africa, especially Nigeria, has shown interest just like the rest of the world in looking for FDI assistant. (Acquah & Ibrahim, 2020).

FDI can be seen as the process through which persons in one country acquire assets in order to gain control over a company's production, distribution, and other activities in another country.

Wikipedia defines "FDI as a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI is in contrast to portfolio investment which is a passive investment in the securities of another country such as stock and bond".

> OECD iLibrary, “defined FDI as cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used”.

Similarly, FDI was define by Investopedia as “An investment made by a company or entity based in one country, into a company or entity based in another country. FDIs differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of FDI than closed, highly regulated economies”.

FDI is defined by the United Nations as an investment in a business located in one nation but "effectively managed" by inhabitants of another (UNCTAD, 2010a). FDI is a distinguishing trait of MNE, thus, a theory of FDI is also a model of the multinational firm as a global economic actor. According to this view, FDI is more than just an international movement of capital; it is the expansion of a business from its home country into a foreign host country.

2.1 Theoretical Review

Theoretical research on FDI has bring about in a greater knowledge of the economic instrument as well as performance of economic mediators at both the macro and micro stages, agreeing for the exploration of new areas of economic model. To comprehend FDI, we must first identify and comprehend the major trends in FDI theory, as well as how and why these theories were established. The following classes can be used to classify FDI models:

2.1.1 Classical Theory

The traditional or classical approach says that FDI and MNCs contribute to the economic development of host nations through a variety of ways. These include capital transfers, superior technological equipment and skills, improved balance of payments, increased tax base and foreign exchange profits, job creation, and integration of the host economy into global markets. The remarkable EG of newly industrialized countries like Hong Kong, Taiwan, Singapore, and South Korea, particularly in the 1980s and early 1990s (Muchlinski, 2020), as well as China's impressive growth, have bolstered these arguments concerning FDI.

The classical theory has been promoted in recent years by international institutions and organizations such as the United Nations (UN), the World Bank, and the International Monetary Fund, with its focus on the importance of FDI and the restricted role of the state (IMF).

2.1.2 Dependency Theory

Proponents of this theory argue, based on Latin American experience, that free trade and foreign investment links with industrialized countries are the primary drivers of underdevelopment and exploitation of emerging economies (Muchlinski, 2020). This theory is primarily concerned with the interaction between the center and the periphery. The core is made up of developed and industrialized countries, while the periphery is made up of developing and third world countries. FDI is viewed in this light as a channel via which the center exploits the periphery and perpetuates the latter's status of underdevelopment and reliance.

Furthermore, dependency theorists concern on the various ways in which multinational businesses' FDI distorts the economies of developing countries. According to some proponents of this theory, distortionary components comprise the gathering of domestic companies, increasing joblessness associated with the adoption of technology, and a considerable loss of political power (Alexander et al., 2014). Additionally, FDI is more manipulative and imperialist in the world, certifying that the host nation is entirely dependent on the homebased nation & its resources. From different analyses, it is clear that this hypothesis results in a negative correlation between FDI and EG in developing countries. The thesis holds that the economic participation of industrialized countries in developing countries through MNCs and FDI will inevitably result in developing countries' economic disadvantages.

2.1.3 The Intervention Theory

The intervention or integrative school aims to look at FDI from the perspectives of both the host countries and the investors. It incorporates both classical and dependency theorist concepts. According to the theory, foreign investment should be protected only to the degree that it benefits the host country and that foreign companies have performed as good corporate citizens in achieving the host country's economic and social goals. When it comes to foreign investment, the theory suggests a balance of intervention and openness, while cautioning against excessive control or intrusion. (Muchlinski, 2020). The approach recognizes that in some cases, the market is better equipped to respond, while in others, government involvement is required. As a result, a delicate balancing act is required amongst those events that are best held by the market and those that are best managed by the government.

The model merges Adam Smith's laissez-faire dispute and John Maynard Keynes' argument for government intervention.

2.1.4 Neoclassical Economic Theory

This research relies on FDI economic theory from the neoclassical school. The idea is that FDI supports the economic development of the host country and enhances social well-being. (Moran & Moran, 1978). According to this reasoning, overseas investors often bring money into the host nation, affecting the quantity and quality of capital creation in the host nation. Inflows of capital and

incomes that are reinvested increase the nation's overall investments, and taxes and other payments help the institution make more money (Kennedy, 2015). Additionally, the entry of overseas wealth into the host nation decreases the host nation's balance of payments problems.

Another argument in favour of the theory of neoclassical is that FDI transfers superior production knowhow from highly industrialized nations to developing countries through technology transfer, marketing and management skills, organizational experience, worker training and market information. MNCs can act as a main avenue for knowledge transfer from industrialized to developing nations through their international branches. The benefit of adopting new technology for developing countries is proportional to how widely these innovations are disseminated domestically.

Neoclassical theorists also maintained that FDI increases rivalry in an industry, resulting in an increase in production (Bureau of Industry Economics, 1995). Increased competition can lead to resource reallocation to more productive activities, more efficient capital utilization, and the elimination of ineffective management practices. FDI can also improve competition and knowledge transfer by attaching the host country's sector more closely to universal markets. Aside from creating jobs, FDI is said to improve the host country's balance of payments. (Sornarajah, 2004). Moreover, (Ezeanyeji & Maureen, 2019) noted that:

> "Foreign investors will build and expand infrastructural potentials. The facilities would be advantageous to the economy as a whole. The neoclassical theory is incorporated into the guidelines on the treatment of FDI when it recognizes that a greater flow of direct investment brings substantial benefits to bear on the world economy and on the economies of developing countries in particular, in terms of improving the long-term efficiency of the destination country through larger competition, allocation of capital, managerial skills, and enhancement of market access, and in terms of improving the long-term efficiency of the host country through greater competition, transfer of capital, technology, and managerial skills".

3. Methodology

The qualitative research design was used in this study. The qualitative method entailed the acquisition of data through in-depth interviews and secondary sources (existing literature). The researchers used interviews to elicit information and gain a better understanding of the extent to which FDI impacted Nigerian economy between 1999 and 2020. This method (interview) is effective for eliciting and studying what people believe, how they think, and why they think the way they do on important problems without pressing them to make decisions or establish an agreement. According to renowned researcher Kitzinger (1994: 104), the interview method is suitable for investigating individuals' stories, experiences, points of view, beliefs, desires, and worries. In other words, this strategy fosters openness, prevents preconceived notions, adds depth to the discussion by

delving further into the subject, and encourages people's individual perspectives and perhaps perceptions.

3.1 Sampling Techniques

The study uses purposive sampling strategy due to the fact that only a small number of interviewees have extensive knowledge of the study and are able to make unbiased assessments. Known variously as judging, selective, or subjective sampling, this type of non-probability sampling entails the researcher making decisions about which members of the population to include in the study based only on his or her own observations and opinion.

This sampling strategy necessitates the research's having prior awareness of the study's purpose in order for the study to appropriately pick and approach eligible participants. When a study intends to reach a certain group of people, it employs purposive sampling, which means that all participants are chosen because they meet a specific profile.

3.2 Sampling Size

Qualitative analyses require a sample size that is often smaller than quantitative analyses. Qualitative sample sizes should be sufficient to elicit sufficient data to adequately explain the phenomena under study and address the research questions. Saturation should be the objective of qualitative researchers. Saturation occurs when increasing the number of participants in a study does not result in the addition of new views or data. Glaser and Strauss (1967) advocate for the concept of saturation when it comes to determining an adequate sample size in qualitative research. Hossain (2017) suggests a range of five to twenty-five, whereas Morse (2016) suggests at least six. These recommendations can assist researchers in estimating the number of participants they will require, but the final number of participants necessary should be determined by when saturation is reached.

In choosing samples for this study, interviewees were categorized into two Governmental Institutions in the field of FDI and they are:

- Nigeria Federal Ministry of Trade.
- Federal Ministry of Investment.

The sample size consists of Four (4) participants: Two (2) interviewees from Nigerian federal ministry of trade and two (2) interviewees from Nigerian federal ministry investment.

3.3 Method used in Data Gathering

The research is qualitative and time series in nature. The study incorporated both primary and secondary data. Interviews were used to collect primary data. The interview was constructed around a series of predefined questions, and respondents were permitted to modify their minds and ideas during the course of the interview. Confidentiality and anonymity were assured to participants upon their request. For the interviews, as described above, intensive interviews were conducted with a small sample of four respondents. The interviews were conducted in English and then transcribed

verbatim. While transcriptions are not usually comprehensive, this study added some secondary data to the transcript.

The secondary data were extracted from World Bank indicator and Central Bank of Nigeria (CBN) e.t.c. Data collected was for 21 years from 1999 to 2020. The variables which the data were sourced include: EG, Domestic growth and FDI for the period 1999 to 2020. See Table 1.

Table 1. Study variables

Variables	Description	Source	Measurement
EG	Economic Growth	CBN	NGN
DG	Domestic Growth	NBS	NGN
GOV	Governance	NBS	NGN
FDI	Foreign Direct Investment	WBI	NGN

***Source**: Authors' own work*

3.4 Method of Data Presentation and Analysis

The qualitative descriptive method was used to present and analyze the data in this study because no quantitative data were used and so no statistical analysis was required. The data were reported and narrated in accordance with the respondents' responses indicating whether the research assumptions were correct or incorrect. The storytelling style utilized aided in exposing the logical account of events and issues, thereby describing and explaining the degree of agreement or disagreement, or even departure, between a group of thoughts and sentiments on a certain subject or phenomenon. The results were primarily described, evaluated, and compared to secondary data in order to establish the validity or otherwise of the study's assumptions. In other words, the use of qualitative descriptive analysis enabled the study to simply or literally explain and interpret the findings by correlating the information gathered from primary and secondary sources and assisting the researcher in drawing conclusions about the findings.

4. Findings

4.1 Primary Data

Research Question One: What is the influence of FDI on Nigeria economic growth?

The respondent 1 was of the view that, FDI is an investment in the form of controlling ownership in a business in one country by an entity based in another country. His opinion on the influence of FDI on Nigerian EG is that, FDI is an engine who always seeks to promote economic growth of the host nations, this is because with the help of FDI, Nigeria has achieved a lot of economic benefits such as technological transfer, high employment opportunity and expanding the number of industrial bases among others, he concludes that FDI play significant role in the economic development of Nigeria.

Respondent 2 says that, FDI is simply a controlling ownership in a business in one country by an entity based in another country. And with regards to the influence of FDI on Nigerian EG, he views FDI on the positive aspect, to him FDI has really impacted Nigerian economy in many ways, among which are FDI impact the use of technological based structures in order to get competitive benefits and which leads to technological advancement. And lastly, respondents 3 and 4 are of the opinion that, FDI is when a company in another country owns a controlling stake in a business in another country. And for the impact of FDI on Nigeria EG, they are of the view that, FDI has an advantage to local companies because of the increase of economic growth which leads to efficiency and productivity, the development of Nigerian productivity sector has been the key to domestic firms.

The respondents also share the views on what government is doing to encourage FDI. Respondent 1 is of the opinion that, improving financial incentives is what Nigerian government is doing in order to encourage the flow of FDI into the country, The government has offers variety of business combination of incentives and loans in order to invest, the government has offered many efforts like insurance, loans and tax breaks in an effort to support and promote local companies' overseas investments. Respondent 2 on the other hand says that, Nigerian government is trying to improve its local infrastructure interms of supply of steady electricity, transportation and communication so as to encourage many industries to invest and these will lead to on the local conditions for domestic entrepreneurs. The 3rd respondent says that, Nigerian government is really trying it possible best in order promotes its Political, economic and as well as legal stability so as to reassure that its local business is operating in a conducive environment. This is because no investor is willing to invest where his business is not going to be secure. And lastly, the 4th respondent says that, Nigerian government is improving its educational sector in order to improve their workforce through quality education and job training. A country that has a qualitative and skilled workforce is very important investment criterion for many global business firms.

Research Question Two: How does governance affect the economic growth of Nigeria?

Good governance emphasizes the duty of governments and governing bodies to address the demands of the general public rather than just a few special interests. As a means of managing a country's economic and social resources for development, national governance encompasses a wide range of factors, including a sound legal framework, swift and effective law enforcement, crystal-clear investment guidelines, as well as effective systems of oversight and accounting for tracking policy implementation.

According to respondents 1,3 and 4, they look at governance on the negative angle, they are of the view that there is wide gap between good and bad governance, the country has witnessed many bad and corrupt leaders since its independence to date, which has negatively affected it economic growth. Successive regimes and Nigerian leaders have only proclaimed excellent governance and growth. After gaining political power and public office, they either become too lazy to walk the talk or are eaten or arrested by the "system". The system is a term for the distorted status of Nigerian

governmental institutions and the public domain. The consequences of this bad governance are well-known. Affecting the rule of law and social unrest, insurgency and terrorism, social unrest and conflict, abuse of authority and mass poverty. The upshot of a state with tremendous potentials but which has been steadily declining since the oil boom peaked more than three decades ago is vast poverty and wide wealth disparity. Slow and disorganized growth, expanding population, and mass unemployment have exacerbated poverty in Nigeria, producing social and political unrest. As a result, economic decline, rising poverty, and deep-seated economic disparity are all factors that contribute to societal instability. Whether it is ethnic disputes, religious bigotry, or separatist agitation agenda in Nigeria, the main cause can be traced back to economic decline. Part of the reason for the resurgence and persistence of the Fulani/herdsmen threat as well as kidnapping and terrorism is because many Nigerian youths are unemployed.

While the respondent 2, look at Nigerian governance on the positive aspect, he is of the view that despite the country has witnessed many regimes of bad and corrupt leadership, the present government led by President Muhammadu Buhari has enacted so many government policies which aims at promoting and developing Nigeria EG, among these policies are: “Npower”, this program was initiated with the emergence of this current administration in 2015, the reason behind the establishment of the program is to train and encourage Nigerian youths into different entrepreneur so to become self-reliant and also to reduce the numbers of unemployment in the country. Apart from “npower”, the government also introduce “Ancor borrowers” program which was flag up in 2016 with the aim of making the country to be self-reliant on food especially local rice, the government has also supported many Nigerian citizens with financial aid during the covid-19 pandemic so as to prevent their business from collapsing, all these and many more are contributing towards the economic growth of Nigeria.

Research Question Three: What are the effects of Domestic Investment on the Nigerian economic growth?

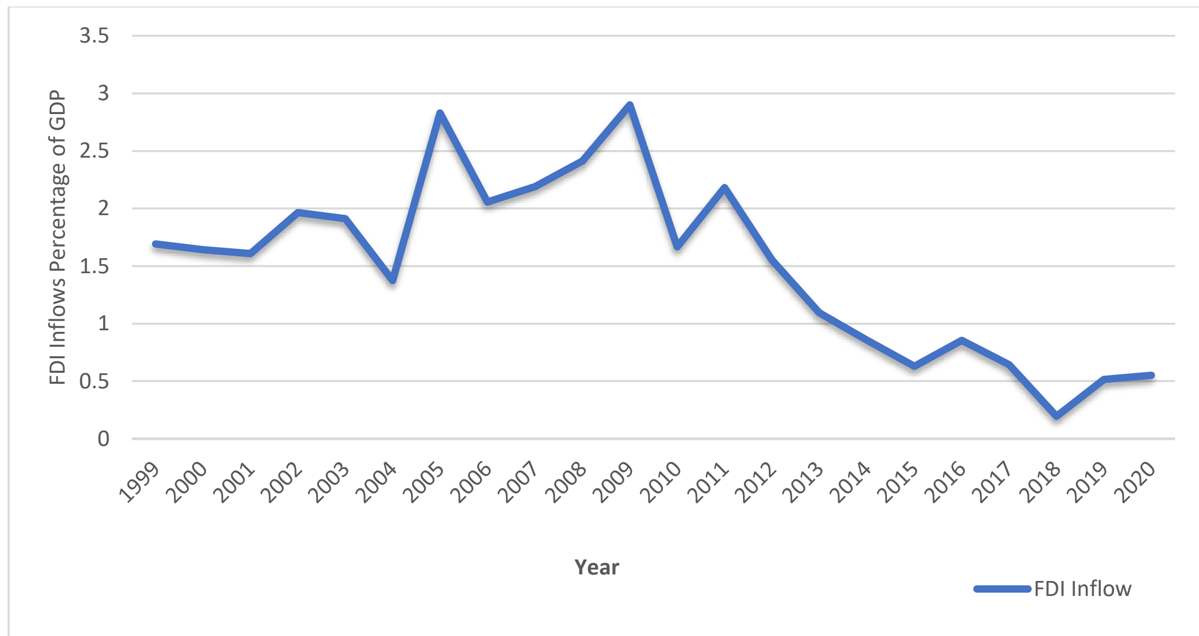
Local investment is among the essential economic activity that governments place a high value on since it is one of the most important components of the country's economic growth as well as the primary engine of the economic cycle. “Respect for domestic investment at the government level, capital spending on new projects in the sectors of public utilities and infrastructure, such as incision main and branch road projects and extensions of water and sewerage connections, and create urban plans and construction projects, housing and extensions of electricity and power generation, as well as social development in the areas of education, health, and communication projects”.

Real domestic investment is an outlay made to boost the economy's overall capital stock. This is accomplished through purchasing additional capital-producing and income-generating assets within the domestic economy. Physical assets, in particular, contribute significantly to the entire capital stock. Higher rates of economic growth are required to boost economic development than savings can supply. The corporate sector provides part of the investment finance, while bank loans and

household savings provide the rest. Savings are no longer a restraint to investment demand as a result of this. Lower interest rates cause asset values to rise, which invariably represents the discounted worth of such assets, boosting the rate of acquisition and investment in such assets, later raise aggregate demand.

4.2 Secondary Data

Figure 1. FDI Inflows Percentage of GDP (1999 to 2020)

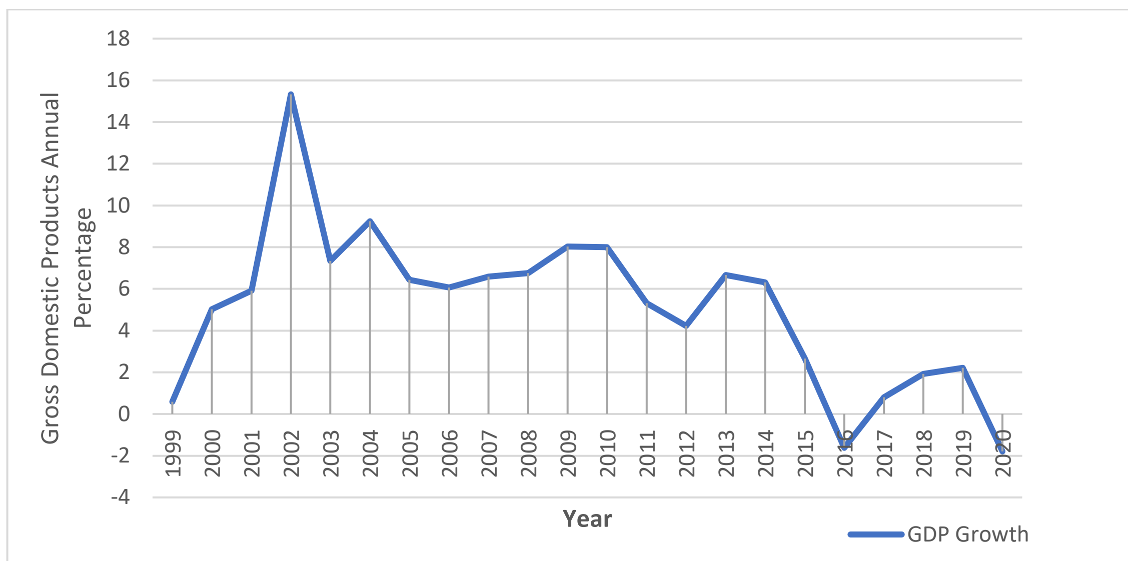


***Source**: World Bank Indicator*

From the Figures 1 and 2, the FDI inflows from 1999 to 2003 continue to rise because of good government policies. However, from 2004 to 2005, there was a sharp decline in FDI inflows in Nigeria due to changes in government policy. Besides, from 2006 to 2011, FDI inflows fluctuated ups and down because of global commodities prices, while in the year 2012 to 2019, the FDI declined and unexpectedly rose in 2020 because of cheaper labour and other environmental benefits that attracted the FDI from the advanced countries.

The impact of FDI inflows on EG can be seen from 1999 to 2002, when FDI inflows reached the highest of all times. Further, EG begins to fluctuate from 2003 to 2015. It means that Nigeria's EG faces challenges and strives to sustain a general increase in output for employment generation. Conversely, in the period 2016-2017, the economy sinks into recession, thereby causing FDI inflows to stand still. Finally, from 2018 to 2019, the EG of Nigeria rises.

Figure 2. Gross Domestic Products Annual Percentage (1999 to 2020)



Source: *World Bank*

5. Discussion

The study discovered empirical evidence that the exchange rate of Nigeria was influenced by direct investment, as described by Granger, and that the country's ability to improve in terms of economic development and financial performance is dependent on attracting large amounts of FDI. The impact of FDI on Nigeria's EG is supported by this study. These findings highlight the importance of Nigeria's economic reform programmes in reducing macroeconomic volatility, removing economic distortions, promoting exports, and restoring long-term domestic investment for economic growth.

The findings also shows that there is important optimistic advance from FDI and EG. The study also found that the variables used in the study relate to one another, the positive and significant advance was detected from FDI on Nigerian currency. This is to say that, variables influence one another under causation. The research further portrayed the result that significant and positive was perceive on government policies.

The study also found that the exchange rate has a favorable impact on economic growth. This demonstrates that there is a direct relationship between variables, since causation exists between them. The considerable and positive association discovered between EG and interest rates, as well as the direct effect of variables on one another.

Finally, the result of this study depicts that there is positive relationship between FDI and Nigeria EG, and this will continue to prosper the nation’s economy especially if the government come out with variety of majors which will attract foreign investors into the country.

6. Conclusion

FDI improves the wealth of countries, especially the emerging nations. Many researchers have looked into the correlation among FDI, the condition of economy as well as economic stability. The goal of this research was to look at the relationship between FDI and Nigeria's EG, using macroeconomic variables in the mix. The gross domestic product ratio was also taken into account in the study to figure out how FDI affects the EG of Nigeria. The data of this qualitative study was gathered in series of time from World Bank indicator, CBN as secondary source and also through interview as primary source. The secondary data was gotten from world bank and CBN using time series from 1999 to 2020.

It is clear that the findings of the current study have identified and examined evidence gaps, and that they will aid in the development of strategies for investing attractiveness by developing both short and long-term and relationships in the future. Due to Nigeria's status as a 3rd world nation, the utmost task is to attract large amounts of FDI in order to enhance financial activity and reap interest for the country. Nations should be mindful of likely dangers, such as fluctuation of currency rates and macroeconomic conditions, in order to collect foreign direct investments in excess of their national capability.

The current evidence on FDI in the country reveals a lot of government deficiency at both state & federal levels such as, weak institutions, poor investing, infrastructural deficiencies and fraud & mismanagement among others. Similarly, within the framework of the Paris Assertion on efficiency of FDI, according to report of UNDP, “there is need for capacity development activities in Nigeria in order to strengthen FDI management processes in line with the principles of harmonization, alignment and mutual accountability for better results in FDI management in Nigeria. Several donors often take advantage of these weaknesses and have been dealing directly with the ministries/agencies without recourse to the National Planning Commission at the federal level or the coordinating agency at the State levels” (UNCTAD, 2010a). Base of the findings of this research EG is significant level and the result has shown that there is a substantial influence of FDI on EG of Nigeria.

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