ISSN: 2805-3931
2805-3923

# THE IMPACT OF FOREIGN INVESTMENT ON THE DEVELOPMENT OF NIGERIA ECONOMY (1990-2019).

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**Abstract**
*The impact and contributions of foreign investment towards the development of Nigeria's economy cannot be over emphasized, from contributions of economic growth to transfer of technology, enhancement of balance of payment, creation of employment opportunities amongst others. A considerable decline has however been noticed in the inflow of foreign investment over the last few years, thus reducing the potential benefits the country stands to gain from such investment, hence the reason for these research study. The effect of FDI in manufacturing and processing, transport and communication, building and construction as well as business and trading services were all compared to ascertain their contributions to the country's GDP as this is the yardstick for measuring the development or otherwise of a country. Secondary data from the CBN were analyzed using regression method. At the end of the research, it was shown that the contributions of FDI in the transport and communication and building and construction sectors were significantly high compared to manufacturing and processing and trading and business sectors. It was recommended that corruption and insecurity issues be dealt with to the barest minimum. The recommendations are given to help the country achieve economic development and harness the full benefits accruable from foreign investment.*
***Keywords**: Foreign, Direct Investment, Development of economy, and Economy System*

## Introduction

Foreign Direct investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. Government has been trying to lift the country out of economy doldrums without achieving success as desired. Each of these governments has not directed much of their attention to increasing the investment especially FDI which is the yardstick of achieving macroeconomic objectives such as employment, increase in per capital income and major economic growth and development.

According to Adelagan and Ayadi (2010), FDI help to fill the domestic revenue-generation gap in developing economic given those most developing countries government does not seem to be able to generate sufficient revenues to meet their expenditure needs. Other benefits are in the form of externalities and the adoption of foreign technologies. The externalities are in the form of licensing introduction of new processes by the foreign firms and employee training (Adegbite & Ayadi, 2010).

Nigeria needs a lot of industries and investment outlay to keep a lot of idle hands busy. A large percentage of the teaming population in the country cannot boast of legal and secure income

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generating activities. In view of this, the unemployment problem continues to increase from year to year. As students graduate from school with no job opportunities readily available, the rate of unemployment continues to increase while there is no corresponding increase in investment activities that can fill the unemployment gap. Though the government appears to be making efforts to attract foreign investors through liberal financial policies, these efforts are not yet enough to attract the much-needed foreign investments. The immense impact and contributions of the limited foreign investments in the country over the last 3decades has opened discussions amongst stakeholders about the level of economic growth and development the country can achieve in the next decade if the country can attract and allow more foreign investors to establish and expand in the country.

The participation of foreign investors in the telecommunication as well as power sectors and the textile industry in the country over the last few years has contributed largely to the development of the Nigerian economy. This study therefore focuses on the environment to identify the problems and steps that need to be taken to create a positive change that will attract the much-needed foreign investment.

**Objectives of the Study**

The main objective of this study is to examine the impact of foreign direct inflows on economic development of Nigeria. The specific objectives are:

i. Ascertain the effect of FDI in manufacturing and processing on the Nigerian gross domestic product
ii. Determine the impact of FDI in transportation and communication on the Nigerian gross domestic product.
iii. Determine the impact of FDI in building and construction on the Nigerian gross domestic product.
iv. Determine the impact of FDI in trading and business service on the Nigerian gross domestic product.

**Hypotheses**

In line with the objective of the study, the following hypotheses have been formulated in null form.

**$Ho_1$** FDI from manufacturing and processing has not made any significant and positive impact on Gross domestic product.

**$Ho_2$** FDI from transportation and communication has not made any significant and positive impact on Gross domestic product.

**$Ho_3$** FDI from building and construction has not made any significant and positive impact on Gross domestic product.

**$Ho_4$** FDI from trading and business service has not made any significant and positive impact on Gross domestic product.

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## Literature Review

### Conceptual Review

Foreign investment can be defined as the inflow of foreign resources in the form of equity capital, reinvested earnings or net borrowing from parent companies or affiliates (Odozi, 1995). Generally, foreign investment involves the transfer of a package of resources including capital technology, management and marketing expertise.

Foreign investment involves capital flows from one country to another, granting extensive ownership stakes in domestic companies and assets. Foreign investment denotes that foreigners have an active role in management as a part of their investment. Foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies.

Nigeria's dire need for foreign investment could be classified into three broad aspects. Firstly, foreign investment is required to fill the savings and foreign exchange gaps and thereby enable the country to achieve its economic potential. Secondly, the supply side of the economy requires a massive injection of foreign resource in order to affect the necessary increased output, minimize the growth of unemployment and reduce the inflation rate significantly. Thirdly, foreign investment inflow is required to stimulate the acquisition of technology, transform the structure of domestic output and diversify and expand the non –oil export sector.

#### Role of Foreign Investments in Economic Development of Nigeria

According to Odozi (1960) the role of foreign investment in economic development can be over emphasized. Some of the impact includes the followings.

- **Contribution To Economic Growth**

  The most attractive feature of foreign investment is the package of capital, technological and managerial resources contained in the investment. This generates a stream of real income profit that constitutes the return to the investment since the enterprise established also pay tax and boost labour incomes. Also, the product of foreign investment enterprise adds to total market supply thereby facilitating the prospect of achieving price stability.

- **Technology Transfer**

  Foreign investment also facilitates the transfer of technology to a country through foreign investment, the technical and organizational knowledge and information available for the production of many good and services together with the equipment for producing the goods are made available to many foreign – controlled enterprise established in developing countries.

- **Enhancement Of Balance Of Payment**

  The enterprises established through foreign direct investment borrow investible fund from host countries and third parties abroad. They, therefore, control a share of total resource in the host country that is much larger than the recorded capital inflow included in the foreign investment package. Also, since foreign investment enterprises engage in import substituting or export producing industries their production activities could improve the balance of payment of the host countries.

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- **Employment Generation**

  One of the major reasons for including private foreign investment is to create employment in the country. The major policy tool through which government plans to enhance employment generation is the promotion of small scale industries. According to Onakoya,(2012) the exclusion of expatriate from some businesses exclusively reserved for Nigeria and the limitation and expatriate employment and work quotes also had dampening effects on the inflow of foreign direct investment.
- **Increased Private Sector Participation**

  According to Balogun (1991) the first main strategy by which government seeks to achieve increased private sectors is the privatization / commercialization of public sector investment. This is expected to bring about healthy competition in the privatized industry as market forces of demand and supply will determine prices in the industry bringing about price stability and result in efficient and effective operations in the industry.

**Foreign Direct Investment (FDI) and Economic Development: Nigerian Experience**

Inflows of FDI to Nigeria have been marked with fluctuations in the past three decades. Statistically, the ratio of FDI to gross domestic product (GDP) which was as high as 20 percent during the 1970-72 period fell to 7 percent in 1980. The ratio averaged 7.04 percent over the period 1986 – 1993. This declined to about 4.1 percent in the period of 1999 – 2004. The gradual decline in the inflow from the 1980s seem to confirm the position of developing countries' economy that the flow of capital in general (foreign direct or otherwise) to developing countries has been skewed in favour of the middle-income developing countries and against the poor developing countries of which Sub-Saharan Africa is majorly affected (Adegbite, 2003). Prior to the 1980s, FDI was largely concentrated in import-substitution industries from the mid-1980s, particularly during the structural adjustment programs.

Nigerian government introduced a number of incentives and measures to stimulate FDI into export-oriented activities. A cursory look at the cumulative foreign investment by type of economic activity in the last two decades reveals that FDI was predominant in mining and quarrying, manufacturing and processing, and trading and business services sectors. There has been relatively less investment in agriculture, forestry and fishing, transport and communications, building and construction sectors.

**FDI in Manufacturing Sector and Economic Development**

Over the past two decades, direct investments across national borders by Multinational Corporations (MNCs) have grown significantly in the world economy, especially into developing countries. The analysis of the effects of FDI on manufacturing firms in the host countries in the literature implicitly distinguishes between its direct and indirect effects. Direct effects according to Fabayo (2003) are reflected in capital formation, employment and trade associated with the FDI projects.

From a domestic policy perspective, the direct effects of FDI, particularly employment creation have been the main focus of attention in Nigeria. Since the mid – 1990s the focus has begun to shift to the indirect impact of FDI on the manufacturing sector, especially as unemployment rates have declined; consequently, the direct benefits of additional employment in MNC sector are seen as having reduced value.

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### FDI in Telecommunication and Economic Development

As a result of the liberalization of the sectors, this has attracted the interest of foreign investor into the sector. Nigeria is currently described as the fastest growing mobile phone market in the world. Since 2001, when the mobile telecommunication operators were licensed, the rate of subscriptions has gone up and does not show any sign of abating; in fact, MTN (Nigeria) – the leading mobile phone operator has acquired different set of number series having oversubscribed the original series. Currently there are over five operators MTN, Airtel, Glo, Etisalat, Starcom, etc. as a result of their stiff competition, this has forced the rates down and in the process fostered consumer satisfaction.

### FDI in Building and Construction and Economic Development

Efforts are being far fetched regarding inflow of FDI on Building and Construction Sectors because of the weakness and dilapidation in the buildings and construction and assembling of motor vans, bridges and building in the economy. Through this, the building and constructing engineer has been energized with sophisticated technology from the advanced country like Japan, Russia and Iran so as to improve the productivity of the sectors.

### FDI and Trading and Business and Economic Development

In order to boast the sector in term of having a positive contribution to Economic development, the government has embarked on a lot of trade relation to some countries like Taiwan, France and European countries. Likewise, due to liberation policy, this brought emergency of some countries investing in our financial sector which has contributed a lot to the economy development (Zenith Bank last quarter 2010 publication).

### Factors that Determine the Rate Foreign Investment Inflow into Nigeria

According to Orji (2005)there are many different factors that determine foreign direct investment (FDI) and it is hard to isolate individual factors, given there are many different variables. It also depends on the type of industry. For example, with manufacturing FDI, low wage costs tend to be the most important, as they are a labour-intensive industry. For service sector FDI, macro-economic stability and political openness tend to be more important.

***The following factors determine the level of foreign investment:***

1. Wage rates
2. Labour skills
3. Tax rates
4. Transport and infrastructure
5. Size of economy / potential for growth
6. Political stability / property rights
7. Exchange rate
8. Clustering effects

According to Iyela (2009), corruption increases the cost of doing business and as such foreign investors would prefer to invest in countries with lower rates of corruption which is believed to derive maximum profits from their investments. He added that the insecurity which manifest in kidnappings, hostage taking and deaths of innocent souls automatically discourage FDI. Instead firms will prefer countries with peaceful investment environments.

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According to Adejumo (2013) foreign investment inflow could be classified into two categories. Foreign investment for the establishment of new enterprises and foreign investment inflow through the existing enterprises. The distinction is necessary because of the different purpose served by each category. Foreign investment for the establishment of new enterprises plays the initial role of expansion of production capacity. The inflow through the existing companies could be for various purposes such as expansion of enterprises, or working capital support.

Consequently, the inflow in the first category is made up of mainly machinery and equipment and probably foreign currency imported at the initial stage of the establishment of the local enterprises. According to Udeaja et al (2008), the SAP programme incorporated trade and exchange rate reforms with monetary and fiscal measures aimed at improving the economy through the discouragement of importation and make export-oriented multinationals gain on their investments. According to Udeaja et al (2008) the current strategy for the attraction of foreign investment into Nigeria has four major elements. The first is the establishment of an industrial development coordinating committee (IDCc) as a one – stop port of call for foreign investors, second is the restructuring and streamlining of the incentive polices, third is the emphasis placed on non – oil export stimulation and expansion and fourth is the privatization and commercialization programme and for a wide range of industrial product.

**Empirical Review**

According to Uche (2005), the participation of foreign investors in the Nigerian banking arena at least in the broad sense dates back to the origin of banking in the country. Commercial banking for instance, commenced in 1891 with the establishment of the African Banking Corporation. The moving force behind the establishment of the ABC was George William Nevile. With the support of the chairman of his company sir Alfred Lewis Jones, he convinced the ABC, a South African bank to open an office in Lagos. In 1894 the bank metamorphosed into the Bank of British West Africa (BBWA). In 1899, a second foreign bank- The Bank of Nigeria- was established. In 1916, the Colonial Bank established its presence in Nigeria. Barclays Bank entered the Nigerian banking arena in 1925 through the merger between the Colonial Bank, the Anglo-Egyptian Bank and the National Bank of South Africa. In 1948, the British and French Bank for Commerce and Industry was established (later to become the United Bank for Africa). Essentially, these foreign banks were established with the objective of providing services for the British commercial enterprises. The first indigenous bank- the Industrial and Commercial Bank- was established in 1929 (Uche, 2005).

The Nigerian banking sector today consist of the Central Bank of Nigeria (CBN), money deposit banks, development banks, micro finance banks and other institutions. Owning to its crisis in the past; the Nigerian banking sector has not actually done well in attracting FDI. However with the recent consolidation exercise, the banking sector is now attracting heavy attention from foreign investors. For example $500million was brought into the sector through FDI in 2005 after the consolidation exercise. Cumulative FDI in Nigeria has been generally low. Total FDI increased systematically between 1970 and 1984 when it peaked at about $8.4billion. Thereafter, it declined systematically to reach about $1billion in 1992 after which it resumed a rising trend. The indication is that Nigeria has not been able to continuously attract FDI. Indeed between 1985 and 1992, foreign investors really relocated away from Nigeria. With respect to the sectoral distribution of FDI, it can be seem that the pattern does not depict that of a country that is really developing. For example, contrary to expectations at initial stages of development, services sector (banking sector inclusive) tended to dominate and as the economy developed, real sector which is dominated by the

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manufacturing sector tended to dominate. Generally during the first half of the 1970s, FDI in each of these sectors were rising.

During the early 1980s, FDI in these sectors also tended to rise generally. However, between 1986 and 1992, there was generalized reduction in cumulative FDI which implied that investors withdrew from all sectors of the economy including the famous mining sector where crude oil is dominant. There was a general recovery during the second half of the 1990s with no perceptible pattern in the proportional distribution of sectoral FDI between 1970 and 1999.Gross inflow of foreign direct investment (FDI) were expected to improve in 2010 as first quarter 2010 flows stood at N84.78 billion compared to fourth quarter 2009 inflow of N102.42 billion. All these inflows are toward share equities, banking, telecommunication, manufacturing and oil and gas sectors (CBN 2010).

**Methodology**

This study relied basically on secondary sources of data from Central Bank of Nigeria (CBN) publications, and Federal Office of Statistics(FOS) review of the economy from 1999 to 2019selectedyears between 1990 to 2019.In carrying out this research work, descriptive research is considered to be the most appropriate because it is used to express the casual relationships between some variables his study rely basically on secondary data sources from Central Bank of Nigeria(CBN) publications, journals, economics text books and Federal Office Of Statistics(FOS) review of the economy for various years.

The ordinary least square method of multiple regression is the most fitted to express causal relationship between dependent variable and the independent variables to show the impact of independent (FDI inflow from sectors) on dependent variable (Gross domestic product).

**Results**

Table 1: Gross Domestic Product at current price and sources of FDI in flow such as Manufacturing and Processing Transportation and Communication, Building and Construction, Trading and Business Services (values of dependent variable and independent variables)

**Table 1 Values of Dependent and Independent Variables**

| Year | Gross Domestic product | FDI on Manufac. & processing | FDI on Transport & Comm. | FDI on building & construction | FDI on Trading& Bus. Service |
|---|---|---|---|---|---|
| 1990 | 49,630.30 | 1,503.90 | 62.20 | 370.80 | 693.20 |
| 1991 | 47,619.70 | 1,705.70 | 60.80 | 325.90 | 767.20 |
| 1992 | 49,069.30 | 1,922.50 | 68.90 | 422.50 | 1,483.60 |
| 1993 | 53,107.40 | 2,128.10 | 77.30 | 443.50 | 2,274.90 |
| 1994 | 59,622.50 | 2,109.30 | 80.60 | 439.90 | 2,622.50 |
| 1995 | 67,908.60 | 2,278.10 | 85.90 | 439.20 | 2,697.90 |
| 1996 | 69,147.00 | 2,810.20 | 80.40 | 501.60 | 2,753.00 |
| 1997 | 105,222.00 | 3,122.30 | 75.60 | 462.60 | 3,396.50 |
| 1998 | 139,085.30 | 3,637.00 | 160.60 | 492.70 | 3,133.70 |
| 1999 | 216,797.50 | 5,406.40 | 158.20 | 481.80 | 3,497.20 |
| 2000 | 267,550.00 | 6,339.00 | 240.50 | 743.60 | 1,710.40 |

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| | | | | | |
|---|---|---|---|---|---|
| 2001 | 312,139.70 | 8,692.40 | 373.20 | 1,471.60 | 1,452.20 |
| 2002 | 532,613.80 | 9,746.30 | 391.50 | 1,406.60 | 1,482.50 |
| 2003 | 682,869.80 | 12,885.10 | 426.40 | 71.20 | 1,864.50 |
| 2004 | 899,863.80 | 12,059.90 | 429.60 | 1,707.00 | 2,247.60 |
| 2005 | 1,933,211.60 | 27,668.80 | 374.80 | 1,553.00 | 2,990.70 |
| 2006 | 2,702,719.10 | 29,814.30 | 485.60 | 1,864.30 | 3,668.70 |
| 2007 | 2,801,972.60 | 31,297.20 | 672.60 | 1,259.80 | 3,625.70 |
| 2008 | 2,708,430.90 | 34,503.90 | 689.20 | 3,888.30 | 10,460.50 |
| 2009 | 3,194,015.00 | 36,282.10 | 820.30 | 3,995.90 | 10,460.50 |
| 2010 | 4,582,127.30 | 37,333.60 | 820.30 | 3,995.90 | 10,927.30 |
| 2011 | 4,725,086.00 | 37,779.60 | 955.30 | 4,211.90 | 12,016.60 |
| 2012 | 6,912,381.30 | 39,953.60 | 1,736.30 | 4,293.90 | 12,317.30 |
| 2013 | 8,487,031.60 | 45,719.40 | 2,890.50 | 4,545.80 | 14,457.30 |
| 2014 | 11,411,066.90 | 102,995.80 | 4,281.10 | 5,194.20 | 20,242.40 |
| 2015 | 14,572,239.10 | 133,984.50 | 5,565.40 | 6,713.30 | 26,315.10 |
| 2016 | 18,564,594.70 | 212,729.40 | 8,291.10 | 10,461.10 | 41,309.30 |
| 2017 | 20,657,317.70 | 219,512.00 | 10,758.20 | 12,030.20 | 47,505.70 |
| 2018 | 24,296,329.30 | 155,938.30 | 7,996.80 | 9,996.00 | 31,987.30 |
| 2019 | 24,712,669.90 | 174,302.10 | 13,238.10 | 8,825.40 | 33,095.30 |

Source: CBN Statistical Bulletin 2019. Note the amount are in million.

**Descriptive statistics**

**Table 2: Sample Descriptive Statistics**

| Variables | Mean | Standard Deviation |
|---|---|---|
| GDPt | 5193814.8 | 7672345.66 |
| $MAP_t$, | 46602.3 | 65344.15 |
| $TAC_t$ | 2078.24 | 3519.15 |
| $BAC_t$ | 3087.43 | 3418.97 |
| $TABS_t$ | 10473.24 | 12955.91 |

Source: regressed result using SPSS

**Table 3: Correlation Matrix**

| Variables | GDPt | $MAP_t$, | $TAC_t$ | $BAC_t$ | $TABS_t$ |
|---|---|---|---|---|---|
| GDPt | 1.00 | | | | |
| $MAP_t$, | 0.958 | 1.00 | | | |
| $TAC_t$ | 0.968 | 0.952 | 1.00 | | |
| $BAC_t$ | 0.952 | 0.965 | 0.913 | 1.00 | |
| $TABS_t$ | 0.95 | 0.958 | 0.937 | 0.982 | 1.00 |

Source: Regressed result using SPSS

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**Table 4: Impact of inflow FDI on Gross Domestic Product**

| Variables | Performance | T | Sig |
|---|---|---|---|
| $MAP_t$, | 19.19 | 0.691 | 0.496 |
| $TAC_t$ | 1392.739 | 5.525 | 0.000 |
| $BAC_t$ | 1532.985 | 3.626 | 0.001 |
| $TABS_t$ | -284.582 | -1.67 | 0.107 |
| R2 | 0.969 | | |
| Adjusted R2 | 0.964 | | |
| F. Sig | 196.048 | | 0.000 |
| Durbin Watson | 2.223 | | |

Source: Regressed result using SPSS

**Table 5: Colinearity statistics**

| **Variables** | **Tolerance** | **VIF** |
|---|---|---|
| $MAP_t$, | 0.022 | 45.219 |
| $TAC_t$ | 0.092 | 10.816 |
| $BAC_t$ | 0.035 | 28.714 |
| $TABS_t$ | 0.015 | 66.969 |

Source: Regressed result using SPSS

Note:
$GDP_t$ = Gross Domestic Product at Current Price
$MAP_t$ = FDI on Manufacturing & Processing
$TAC_t$ = FDI on Transportation & Communication
$BAC_t$ = FDI on Building & construction
$TABS_t$ = FDI on Trading & business Service.

**A Sample Descriptive Statistics**

Table2 indicates that the average value central of tendency and measures of dispersions during the periods of study for the independent variable. The inflow of FDI has a positive relationship with the GDP. This implies that inflow of FDI contributes significantly to the GDP i.e. $MAP_t TAC_t$, $BAC_t$ and $TABS_t$ are 46602.30, 2078.24 3087.43 and 10473.24 respectively. Building and construction have the lowest standard deviation of 3418.97 signifying its major contribution to GDP while manufacturing and process has the highest of65,344.15 which disclose that it has a lower contribution to the GDP.

In table 4, this shows the impact of FDI inflow on Gross Domestic Product. The study used FDI inflow: $MAP_t$, $TAC_t$, $BAC_t$ and $TABS_t$ against $GDP_{t.}$
From table 4, the estimated relationship for the model is presented as:
$GDP_t = 347425.9 + 19.19\ MAP_t + 1392.74\ TAC_t + 1532.99\ BAC_t - 284.58\ TABS_t$

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The model indicates two out of the four FDI inflows have significant impact on the Nigerian Gross domestic's product. These are $BAC_t$ and $TAC_t$ that are significant at 1% respectively. This signifies that the higher the level of $TAC_t$ and $BAC_t$ the higher the gross domestic product. However, on the contrary both MAPt and $TABS_t$ are insignificant thus contributing less to the $GDP_t$

However, the null hypotheses testing would be conducted in order to falsify or refute the hypothesis using 't' test. The computed t* test value would be compared to the tabulated value at 5% significant value with (N-K) =26 degree of freedom, where N and K are numbers of year in consideration and parameters of the model respectively.

**$H_0$:** FDI in the manufacturing and processing has not made a significant positive impact on Gross domestic product. The computed t test ($t_{1)}$ =.0691(from table 4.4) and t* = 2.779, since $t_1 <$ t* thus we accept the $H_{01}$ that FDI from manufacturing and processing has not made a significant impact on GDP

**$H_0$:** FDI in the transportation and communication has not made a significant positive impact on Gross domestic product. The computed t test ($t_{2)}$ =5.525(from table 4.4) and t* = 2.779,, since $t_2$ > t* thus we reject the $H_{02}$ that FDI from transportation and communication has not made a significant impact on GDP.

**$H_{03}$:** FDI in the trading and business service has not made a significant positive impact on Gross domestic product. The computed t test ($t_{3)}$ = -1.67(from table 4.4) and t* = 2.779,, since $t_3 <$ t* thus we accept the $H_{03}$ that FDI from trading and business service has not made a significant impact on GDP.

**$H_{04}$:** FDI in the building and construction has not made a significant positive impact on Gross domestic product. The computed t test ($t_{4)}$ =3.626(from table 4.4) and t* = 2.779,, since $t_4 >$ t* thus we reject the $H_{04}$ that FDI from building and construction has not made a significant impact on GDP.

The Durbin-Weston statistics is 2.22 indicates there is no auto correlation. The result then indicates that there is a basis for rejecting the null hypothesis of2and 4 of the study which states that there is no positive impact of inflow of FDI on Gross Domestic Product.

Likewise, the ANOVAs (F rest) = 196.048 which is also significant at zero percent which signifies that all the hypothesis have over are impact in the Gross Domestic Product. Finally, the combined impacts of the FDI can also be viewed from R2 = 0.969 and adjusted R2 = 0.964 which shows that 97% of the explanatory variable explain changes in the dependent variable which the remaining 3% would be attributed to residual

**Discussion of Results**

The study found that FDI has contributed significantly to economic development of Nigeria especially in the area of building and construction and transportation and communication with their parameters values as 1532.99 and 1392.74 significantly at 1% But trading and business service and manufacturing and processing are statistically insignificant to the GDP due to certain

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economic and political circumstance prevalent in the country that has hindered the inflow and its overall performance, there is need to channel extra resources so as to bring them to optimum level. Likewise the ANOVAs (F rest) = 196.048 which is also significant at zero percent this signifies that all the hypothesis have over impact in the Gross Domestic Product, the combined impacts of the FDI can which is viewed from R2 = 0.969 and adjusted R2 = 0.964 which shows that 97% of the explanatory variable explain changes in the dependent variable which the remaining 3% would be attributed to residual.

Therefore, for FDI to play an important role in the economic development in Nigeria and other countries and enabling and conducive environment such as infrastructural development must be pursued as a matter of priority in the national development goals. Further effort must be devoted to means of attracting further FDI. FDI has again been confirmed as a contributor to growth and the study found that FDI has contributed significantly to economic development of Nigeria especially in the area of building and construction and transportation and communication with their parameters values as 1532.99 and 1392.74 significantly at 1% But trading and business service and manufacturing and processing are statistically insignificant to the GDP due to certain economic and political circumstance prevalent in the country that has hindered the inflow and its overall performance, there is need to channeled extra resources so as to bring them to optimum level.

**Conclusion**

FDI being regarded as an engine to the economic development in any developing nation, but has been under some problems for appreciable number of years. The research work has tried to examine the impact of its economic development and some impediment to the inflows to Nigeria economy. Through this, data were collected from secondary sources analyzed with the aim of achieving the stated objectives. From the findings, it was discovered that FDI on transportation and communication, building and construction contribute majorly to economic development and while manufacturing and processing, trade and business services do not contribute much because of some inherent problems such as unhealthy environment for investment, corruption and problem of infrastructural development majorly electricity etc.

The study concluded that FDI in Nigeria contributes to the nation’s economic growth and development. Although the overall development of the economy may not be significant but there is need to encourage FDI. Since FDI on transport and communication has the highest potential for contributing to economic growth. The non-significant of FDI on manufacturing and trade and business service is a reflection of poor business environment.

**Recommendations**

Therefore, it was recommended that, there is need to improve the business environment so that manufacturing and trade and business sector will contribute significantly.

1. There is need to improve business environment through conscious provision of necessary infrastructures which will reduce the cost of doing business in Nigeria. The federal government should not relent its effort through total privatization of power holding company of Nigeria, as power is a major issue stopping investors in the business sector. Also, the related issues of corruption in the business environment should be curbed.

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2. Also, the issues of insecurity in the country should also be addressed especially issues of Niger Delta, robbery and kidnapping and majorly the terrorist issues of "Boko Haram". these are some of the issues that scares foreign investors from the country. Hence, effort should also be made in order to attract more capital inflows through foreign direct investment, there is need to show more commitment to enforcement of contracts, patent and copy right laws etc. With this foreign investor get attracted since adequate returns are guaranteed.
3. Furthermore, despite the recent globalization trend and open economy operation, there is still need for restrictions so as to militate against capital flight, which is reflected in the negative impact of openness on economic growth, there is also need to encourage domestic productivity in order to increase the value of exports in Nigeria so as to generate higher profit.
4. Finally domestic savings should be mobilized by the government through tax reduction, creation of employment opportunities and improvement of financial system in order to increase the level of capital accumulation.

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