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IMPACT OF FOREIGN DIRECT INVESTMENT ON THE ECONOMIC GROWTH OF NIGERIA

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ABSTRACT

This paper examined the impact of foreign direct investment on economic growth in Nigeria from 1981 to 2013. Gross domestic product, government capital expenditure and government revenue were used as proxies for economic growth. It made use of 3 specific objectives, 3 research questions and 3 hypotheses. Ex-post facto research design was adopted. Secondary data covering the period were collected from CBN Statistical Bulletins, National Bureau of Statistics and World Bank Statistical Data, (2013). Pearson Product Moment Correlation Coefficient was employed in the analysis of data. It was found, among others, that there is a significant, strong and positive relationship between foreign direct investment and gross domestic product between 1981 and 2013 in Nigeria. This implies that increase in foreign direct investment in Nigeria, if well managed, could be used to enhance gross domestic product. The study concluded that a very high, positive and significant relationship exists between foreign direct investment and economic growth in Nigeria. The study recommended, among others, that Nigerian government should create conducive business environment that will attract more foreign direct investment into the country.

Keywords: ***Foreign direct investment, economic growth, Nigeria, capital expenditure, government revenue.***

1.0 Introduction

1.1 Background to the Study

In order to seek the highest return on capital, economists and other professionals tend to favour the free flow of capital across national borders. It is against this backdrop that multinational companies seek investment in foreign countries with reasonable risk (Carkovic & Levine, 2002). Nigeria as a country, is believed to be a high-risk market for investment because of factors such as bad governance, unstable macroeconomic policies, insecurity, policy inconsistency, increased window dressing in presentation of financial statements,etc (Akinlo, 2004). Since the introduction of the Structural adjustment programme in 1981,the expectation was that it will place the government in advantage position to attract foreign direct investments.. The need for foreign direct investment is born out of the underdeveloped nature of the Nigeria's economy that essentially hindered the pace of her economic development. Generally, policies and strategies of the Nigerian government towards foreign investments are shaped by two principal objectives of the desire for economic independence and the demand for economic development. Asiedu (2011) argues that there are four basic requirements for economic development namely.

i) Investment capital
ii) Technical skills
iii) Enterprise
iv) Natural resources