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Effect of Foreign Direct Investment on Economic Development in Nigeria

Adekanmbi, Kehinde Oladeji
Auditor, Department of Internal Audit, Ekiti State University, Ado-Ekiti, Nigeria
Adeleke, Kareem Olalekan
Lecturer, Department of Banking and Finance, Federal Polytechnic, Ado-Ekiti, Nigeria
Obarafor, Sunday Abiodun
Academic Staff, Department of Finance, Ekiti State University, Ado-Ekiti, Nigeria

Abstract:
This study aims to check the economic development of Nigeria staring for thirty-three years (from 1986 up to 2018) to find the impact of foreign direct investment. The impact of inflation, exchange rate and interest rate on economic growth also has been evaluated. The real gross domestic products, foreign direct investment, domestic investment, inflation, exchange rate and interest rate were obtained from CBN Statistical Bulletin. Regression analysis has been performed on the annual time series data. Foreign direct investment (FDI) found to play positive and significant effect on the FDI in Nigeria. Exchange rate played insignificant role and inflation and interest rate are found to significantly and negatively associated with Nigerian economic development. This study suggested a proper implementation of policies and collaboration between the government and the private sector to influence capital investment in the economy.

Keywords: Foreign direct investment, domestic investment, economic development

1. Introduction

Nigeria is a country of huge natural and human capital. It is such a country where about 61 mineral resources are found (Ejeogu, 2011). Major portion of the foreign receipts of Nigeria, are which is accounted by the oil. The price volatility of the oil prices sometimes, cause problem in the international oil market (Devlin & Titman 2004). Many challenges are seen to be present in the economy like unemployment, poverty (Olugbile, 2012). There are two main reasons behind the down trend of an economy. One is inadequate capital, another is unemployed resources (Roberts & Tybout cited in Otto & Ukpere, 2014). As per Adetayo (2012), any country like Nigeria which needs to expand its production, needs social welfare and limit its overdependence on oil exports (Adetayo, 2012). Many researches suggested that Foreign direct investment flows less fluctuative by nature compared to Foreign Portfolio Investment (Lipsey, 1999; Osinubi & Amaghionyeodiwe, 2010). National exchange rates affect FDI less compared to foreign portfolio investment (Amassoma & Ogbuagu, 2014).

Foreign private investment may include transfer of technology, higher productivity, higher incomes, and more revenue for government etc. through tax (Okpoto, 2015). As per the study of Feldstein (2000), diversification of the capital can be done through international flows of capital. Global integration of capital markets helps to spread best practices. Bad policies can be restricted through global mobility of capital. The transfer of technology can be possible through FDI. New businesses can be run by the employee training who the recipients of FDI are.

Shafi (2014) maintained that foreign private investment promotes economic development of a nation in various ways. Also, the improvement of capital stock and more scopes in employment can be noticed through FDI. This also creates technological changes through the process of technological transfers. All of these helps to enhance the competition (Khan, 2007). The actual benefits of foreign investments can be further noticed through employee training, licensing agreements. Foreign Direct Investment also helps in creating bilateral and multilateral helps. Bilateral cooperation refers to the helps done by developed country for developing country. An intermediate nation is needed for multilateral cooperation, apart from the other two countries. Employee training, licensing policies are required. These types of co-operations are helpful for nations and firms for doing thing in an innovative way (Wan, 2010). The experience, previous knowledge of the host country promotes further enhancement.

Irrespective of the huge volume of foreign direct investment and foreign portfolio received by Nigeria government for development of the country, infrastructural activities, developmental projects, poverty reduction and unemployment unsettlement, Nigeria still suffer from under-development as a result of mismanagement of these foreign aid and grants, and sporadic high level of corruption, current account imbalances, shortage of foreign exchange constraint among others. Reinhart (2005) & Nwokoma (2013) highlighted that capital inflow played a very crucial factor for every developing country. In less developed country, the economic resources were very less. FDI has capability to reduce poverty level.With the illustration, what comes to mind is: has the government of Nigeria being judiciously using the grants and aid from foreign countries? Empirically, there have been series of empirical studies on the link between foreign direct investment

and economic growth in Nigeria while some group of scholars such as (Amassoma & Ogbuagu, 2014; Kalu & Oyinye, 2015; Okafor, Ugwuegbe & Ezeaku, 2016) to mention but a few agreed that foreign investment have positive and significant effect on economic growth in Nigeria, and the other group such as (Ugochukwu, Okore & Onoh, 2013; Onyinye, Idenyi & Ifeyinwa, 2017) to mention but a few concluded on positive and insignificant effect. Contrarily, Kolawole (2013); George-Anokwuru (2017); Adekunle and Sulaimon (2018) discovered negative relationship in their studies. Apparently, there is inconsistency and evidence of mixed findings in the aforementioned studies which can be attributed to methodological test, sources of data and component of variables. As such, a further investigation into the subject matter is essential as it stands to be at variance or consistence with other empirical studies by clarifying the germane issue relating with foreign private investment and economic development in Nigeria.

More importantly, studies that have specifically studied foreign investment and economic development have failed to include domestic investment variables as if the main essence of foreign private investment is not to complement domestic investment. Also, there is evidence of time gap in literature where no study to the best of the researcher's knowledge have covered 2018 which this study stands to bridge. To this end, the study will investigate the nexus between foreign direct investment and economic development in Nigeria. The study attempted to provide answer to the following questions:

- In what way can domestic investment affect economic development in Nigeria?
- How can macroeconomic variables of inflation, exchange rate and interest rate impact economic development in Nigeria?

2. Literature Review

On the basis of works done by Dinda (2009); Asiedu (2006) and Anyanwu (1998), this study builds on the Neo-classical theory. This model allows the economy to achieve steady-state growth (a constant proportionate rate of growth of all real variables).Long-run equilibrium can be achieved by placing attentions on capital, products, goods, technology. In this model the natural and warranted rates of growth are similar due to factor prices, which are flexible and replaceable. Natural resources, other macroeconomic factors like inflation, rate of exchange etc. are seem to be the most influential factors behind the FDI in Nigeria. Less corruption, political stability also smoothes the flow of the FDI (Asiedu, 2006). Some other factors are domestic investment, market size (Anyanwu, 1998), real income per capital, rate of inflation, world interest rate, credit rating etc. (Ekpo, 1995).

Series of empirical investigation have been carried out by erudite scholars at time intervals, while some agreed that foreign direct investment spurs economic growth, others disagree on the same assertion. These disagreements could be as a result of data coverage, methodology, source of data among others. Hitherto, none of the existing studies in literature has been able to analyse data up to 2018 which create a vacuum in research to be filled. Summary of empirical review is presented in Table 1.

S/N	Author	Title	Country	Methodology	Finding and Conclusion	Recommendation
1	Ugochukwu, Okore and Onoh (2013)	Empirical relationship between foreign direct investment and economic growth in Nigeria. The work covered a periodof 1981-2009.	Nigeria	Ordinary Least Square method	Although FDI found to insignificant to create any impact on the Nigerian economy. GFCF has a positive and significant impact on economic growth. Exchange rate positively and significantly affects the growth of this economy.	Government should provide an environment that will encourageforeign investors to invest in Nigeria economy.
2	Otto and Ukpere (2014)	Nexus between foreign direct investments and economic development and growth in Nigeria for a period of 41 years which spanned from 1970 to 2010	Nigeria	Ordinary least square	The study found that exchange rate and FDI have significant and positive effect on economic growth in Nigeria.	Policies are required in foreign direct investments into Nigerian economy especially in the non-oil sector.
3	Adeleke, Olowe and Fasesin (2014)	The impact of foreign direct investment on Nigeria economic growth over the period of 1999-2013.	Nigeria	Ordinary least square	The study revealed that economic growth is directly related to inflow of foreign direct investment and it is also statistical significant.	The study recommended that government should liberalize the foreign sector in Nigeria so that all barriers to trade can be reduced to encourage investors.

S/N	Author	Title	Country	Methodology	Finding and Conclusion	Recommendation
4	Okpoto. (2015)	The impact of foreign private investment on the Nigeria's economic growth from 1980 to 2013.	Nigeria	Cointegration	The ECM showed a long run relationship between real GDP and other variables in the model which suggested the activities of FPI have impacted favorably in boosting economic activities in Nigeria within the period of study.	The study recommended that efforts and policies should be geared towards increase in foreign private investment in Nigeria.
5	Adigwe, Ezeagba and Udeh (2015)	The relationship between foreign direct investment, exchange rate and gross domestic product 2008 to 2013.	Nigeria	Pearson Correlation	The findings revealed that there is a significant relationship between FDI, EXR and GDP, indicates that economic growth in Nigeria is directly related to foreign direct investment and exchange rate.	The study recommended that there is need for government to be formulating investment policies that will be favorable to local investors in order to compete with the inflow of investment from foreign countries.
6	Okafor, Ugochukwu and Ezeaku (2016)	Relationship between foreign capital inflows and Nigerian economic growth in from 1981 to 2014.	Nigeria	Toda Yamamoto test	Bi-directional causality from GDP to FDI as well as from FDI to GDP.	Government should design policies and programs to enhance the inflows of foreign capital.
7	Onyinye, Idenyi and Ifeyinwa (2017)	The effect of capital formation on Nigerian economic improvement (1991-2014)	Nigeria	Co integration and vector error correction model	Stable long run relationship exists between the dependent and independent variables. The study also found that gross capital formation has a positive insignificant impact on economic growth.	There should bea collaboration between the government and the private sector towards building enabling environment that promotes capital investment in the economy.
8	Adekunle and Sulaimon (2018)	Relationship between foreign capital flows and economic growth in Nigeria by collecting annual data over the period of 1986 to 2015	Nigeria	ADF and Cointegration	Evidence of long run relationship between foreign capital flows and economic growth in Nigeria is both linear and nonlinear was found.	It is recommended that policy makers in Nigeria encourage the inflow of capital.
9	Oyedokun and Ajose (2018)	The impact of domestic investment and economic growth in Nigeria 1980-2016.	Nigeria	Co-integration and error correction and Granger causality test	Significant relationship exists between domestic investment and economic growth. Domestic investment granger causes economic growth in Nigeria.	It is recommended that government should create enabling an environment for domestic investment in Nigeria
10	Effiong, Odey and Nwafor (2019)	The nexus between globalization, foreign direct investment and industrial sector performance in Nigeria (1981-2017).	Nigeria	Unit root tests, co-integration test and error correction	FDI has a direct relationship with the Nigerian industrial sector. Globalization exerts a positive impact on industrial sector performance.	It recommended amongst others; the development of the manufacturing, mining and quarrying sub-sectors of the industrial sector.

Table 1: Tabular Empirical Review
Source: Author's Compilation (2020)

3. Methodology

3.1. Research Design, Model Specification and Source of Data

The study employed ex-post facto research design in the context of this study. This is essential because of the nature of the topic which deals with secondary data analysis.

The study will adapt the model used by Okpoto (2015) where the foreign private investment and Nigeria's economic growth. Okpoto (2015) employed macro-economic variables such as foreign private investment, inflation rate, exchange rate and interest rate on gross domestic product.

Okpoto (2015) model is stated as;

$$GDP = f (FPI + INFR + EXR + INT) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ 1$$

The present study includes domestic and foreign direct investment variables to the model specified in equation 1 and remove foreign private investment to make it more suitable and robust for a meaningful analysis. The justification for the inclusion of domestic and foreign direct investment is to evaluate the trend and ascertain the length at which domestic investment spurs economic growth whether there is truly a need for foreign direct investment or not. The modified model is therefore stated in equation 2 as:

$$RGDP = \alpha_o + \alpha_1 FDI + \alpha_2 DI + \alpha_3 EXR + \alpha_4 INT + \alpha_5 INF + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ 2$$

Where

RGDP = Real Gross domestic product

FPI = Foreign Direct Investment

DI = Domestic Investment

EXR = Exchange Rate

INF = Inflation Rate

INT = Interest Rate

μ_t =   Error Term

GDP = $\alpha_o, \alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5$ = Parameter Estimates

μ_t = Error Term

The data are sourced from the Nigerian CBN statistical Bulletin and National Bureau of Statistics.

3.2. Estimation Technique, Description of Variables and Expected Result

The estimation test in this work is regression analysis in the form of ordinary least square. However, prior to the testing of OLS, stationarity test was conducted to estimate the variation and degree of the data whether they have the tendency to measure what its needed to measure. In this way, if the data failed stationarity test, such variable may produce spurious result which may affect the policy formulations via the result of the study.

3.2.1. Augmented Dickey-Fuller Tests

ADF unit root test developed by Dickey and Fuller (1979) is used to determine the time series characteristics and order of integration of the variables. Unit roots are important in examining the stationarity of a time series, because non-stationary regressors invalidate many empirical results. The model is specified thus:

$$\Delta Y_t = \delta_0 + \lambda Y_{t-1} + \beta_i \Delta Y_{t-1} + \epsilon t_1 \ (for\ intercept) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ 3$$

$$\Delta Y_t = \delta_0 + \lambda Y_{t-1} + \delta_1 t + \beta_i \Delta Y_{t-1} + \epsilon t_2 \ (for\ trend) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ 4$$

Where:

Y_t = Variable tested for unit root, Δ = first difference operator, n = Lag no, t = time trend, ϵt= stationary disturbance error term. The t-statistics is used to test the null hypothesis of $\lambda_1 = 0$ which implies no stationarity against the alternative that $\lambda_1 < 0$. If the series are not stationary at level i.e. 1(0), it would be differenced *d* times for it to be stationary. If it is stationary without differencing, after differencing once or twice, it is integrated of order zero 1(0), one 1(1), two 1(2) respectively.

Magazzino (2012) states that the effects of non stationarity include spurious regression results, high R^2 and low Durbin Watson (*dw*) statistic. High R^2 may only indicate correlated trends and not true economic relationships while low D-W statistics may reflect non-stationarity residuals.

The Real Gross Domestic Product (RGDP): This is usually employed to denote market size, which is indicative of the level of economic activity. A large market size is suggestive of a prosperous business climate and hence serves as a factor attracting foreign investors in one hand, and a means of measuring the impact of foreign investment in the host countries on the other hand.

Foreign Direct Investment (FPI): This is a means of foreign investment into a country by a foreign government, companies and individuals. This is often preferred as a means of growing the economy.

Domestic Investment (DI): This is the investment of the companies and products of someone's own country rather than in those of foreign countries. Here, in this study, domestic investment has been used as proxy by gross fixed capital formation.

Interest rate (INTR): In this study, this connotes the interest rate paid on deposits by banks in Nigeria. FDI will get to countries that pay a higher return on capital, which is indicative of a higher level of productivity and economic development.

Inflation Rate (INF): This measure represents the rate of change of the price level and also the purchasing power of the host country currency.

Exchange Rate (EXR): This measures the price of one currency in terms of another currency. In this study, the exchange rate of Nigeria (Naira) to USA (Dollar) is adopted.

3.2.2. A Priori Expectation

Based on the principles of economic theory, the economic test is used to examine the meaningfulness of the equation with regards to meeting *apriori* expected signs of the parameters. The theoretical expected signs of the macroeconomics variables in the models are stated below

All the explanatory variables that is, FDI, DI, EXR, INF and INT will have positive effect on RGDP

4. Results and Discussion

4.1. Stationarity Test

To start with, stationarity of the data was examined in order to ascertain the nature of the variables. The test was conducted using ADF unit root test and it is presented in table 2

Variables	ADF Test Statistics	Critical Values			Integration	REMARKS
		1%	5%	10%		
RGDP	-3.114380	-3.661661	-2.960411	-2.619160	I (1)**	S
FDI	-6.759140	-3.661661	-2.960411	-2.619160	I(1)**	S
DI	-5.476906	-3.661661	-2.960411	-2.619160	I(1)**	S
EXR	-6.140222	-3.661661	-2.960411	-2.619160	I(1)**	S
INF	-5.188606	-3.661661	-2.960411	-2.619160	I(1)**	S
INT	-7.763340	-3.661661	-2.960411	-2.619160	I(1)**	S

Table 2: Adf Unit Root Test Results
Source: Author's Computation from E-View 9 Software
*Note: *(**)(***)   -   Significant at 1%(5%)(10%) Percent Level of Significant*

The ADF Unit Root Tests Statistics has been shown in the Table 2. The result showed that all the variables were associated of the same order that is, at first difference and were all stationary at 5% level of significance. The confirmation of the presence of non-stationary variables in the series suggest that the data are not spurious, thus further analysis may be carried on to investigate the effectiveness of each explanatory variable on the dependent variable.

4.2. Presentation of Results

The table 3 shows the regression of the ordinary least square results conducted on the specified model with E-view 9.0. The OLS results revealed the relationship that exists between the responseand the predictors variable.

4.2.1. Summary of OLS Result

Variables	Co-efficient	Standard error	t-statistics	Probability
C	4.040895	0.084998	47.54092	0.0000
FDI	0.081687	0.031412	2.600539	0.0149
DI	0.268529	0.015277	17.57764	0.0000
EXR	0.012444	0.012107	1.027852	0.3131
INF	-0.009480	0.019562	-0.484587	0.6319
INT	-0.122016	0.089344	-1.365683	0.1833

Table 3: - OLS Result
R^2=   0.985996 Adj R^2= 0.983403 D.W. = 1.130714
N = 33 F-stat= 380.2132   Prob= 0.000000
Source: Author's Computation (2020)

The relationship between the dependent variable (RGDP) and the independent variables (FDI, DI, EXR, INF and INT) in the table 3, this can be expressed mathematically as:

RGDP = 4.040895 + 0.081687FPI + 0.268529DI + 0.268529EXR -0.009480INF - 0.122016INT + μ_t ……………………………………………………… 4

4.3. Interpretation of Result

An examination of the results of the least square presented in table 3 showed that if all the explanatory variables were held constant, the economic development proxy by (RGDP) will significantly increase by 40.41% with a significant effect. The coefficient of foreign direct investment (FDI) which is estimated to be 0.081687 is significant and positively related to RGDP. This implied 1% increase in foreign private investment will positively and significantly increase the value

of economic development by 08.17%. Domestic investment (DI) has positive and significant effect on economic development, by implication, the coefficient of domestic investment of 0.268529 will spur business activities in Nigeria thereby leading to increase in economic performance by 26.85%. Exchange rate (EXR) has positive coefficient of 0.012444 though with an insignificant effect on economic development, the implication of this is that, increase in exchange rate improve business performance which simultaneously stimulate economic development; hence exchange rate will change the economic development of Nigeria by 01.24%. Inflation rate (INF). But it is insignificant for theNigerian economic development. The coefficient of inflation rate is 0.009480. The result connoted that 1% change in the level of inflation rate will further deteriorate business activities in Nigeria thereby leading to downward trend in economic development. Lastly, interest rate (INT) has a negative slope co-efficient of -0.122016 and statistically insignificant at 5% level of significance. However, the result indicated that an attempt to further increase the value of interest rate will deter economic development in Nigeria by 12.21% change. Therefore, all the result posed significant implications of the economic development in Nigeria.

4.4. Coefficient of Multiple Determinations (R^2)

The coefficient of multiple determinations (R^2) as given in the result of the least square regression of e-view 9.0 is 0.985996 which implied 98.61% with an evidenced adjusted R^2 of 0.983403 which implied 98.34%. Therefore, the result of least square multiple regression explained that the explanatory variables (FDI, DI, EXR, INF and INT) accounted for 98.34% behavior of the dependent variable (RGDP) as conspicuously seen in Adjusted R-square value, while the remaining few 1.66% is accounted for by the stochastic variable.

4.5. Significance Tests (t-test)

The t-test is done to test the significance of each of the explanatory variables using the student t-distribution test. It is carried out on a two-tail test and by comparing the T-cal and the T-tab.
Decision Rule:
If T-cal > T-tab, accept H_1 and reject H_0 and
If T- cal < T-tab. accept H_0 and reject H_1.
T-test would be employed at 95% confidence level i.e. 5% significance level.
Degree of freedom (DOF) = n-k
  Where n = number of years of observation
         K = number of variables
DOF = 33 - 5 = 28

Variables	T-calculated	T-tabulated	H_0	H_1	Remark
FDI	2.600539	1.697	Reject	Accept	Significant
DI	17.57764	1.697	Reject	Accept	Significant
EXR	1.027852	1.697	Accept	Reject	Insignificant
INF	-0.484587	1.697	Accept	Reject	Insignificant
INT	-1.365683	1.697	Accept	Reject	Insignificant

Table 4: Result of t-test
Source: Author's computation (2020)

Going by the rule of thumb which states that if t-cal > t-tab, the result should be accepted and vice versa. The result in table 4 showed that only the main variables of foreign direct investment and domestic direct investment were statistically significant at 5% level while other variables of exchange rate, inflation rate and interest rate were insignificant statistically at 5% level with their individual t-calculated showing a value greater than the tabulated figure of 't' with the exception of EXR, INF and INT which is insignificant at 5% level.

4.6. Test of Hypotheses

4.6.1. Decision Rule
If T-calculated is greater than T-tabular figure, accept H_1 and reject H_0 and
Else, accept H_0 and reject H_1.
In testing the hypothesis 1, the t-calculated value 2.6of foreign direct investment (FDI) is greater than t-tabulated 1.69. Hence, the null hypothesis has been rejected. It can be concluded that foreign direct investment has positive and significant effect on economic development.
The test of hypothesis 2 indicated that t-calculated value of domestic investment 17.57 is greater than 1.69. Hence, the study rejects the null hypothesis and concluded that domestic investment has positive and significant effect on economic development.
The test of hypothesis 3 has t values for exchange rate, inflation rate and interest rate were 1.03, 0.48 and 1.37 respectively. Obviously, these values were less than the t-tabulated value of 1.69. Based on the decision rule, the study accepted the null hypothesis and rejected the alternative hypothesis. Hence, the study concluded that exchange rate, inflation rate and interest rate have an insignificant effect on economic development.

4.7. Tests for the presence of Autocorrelation in the Model

      The Durbin-Watson test has been conducted to check autocorrelation. This test is carried out using the DW Statistics. The DW Statistics obtained in OLS is given as

DW Statistics value = *1.130714

Degree of Freedom (dof) = $k^1 = k - 1 =$

6 – 1 = 5,   N = 33

D_L = 1.452 and

D_u = 1.785 at 5% significance level.

$4 - D_L = 4 - 1.452 = 2.548$ and

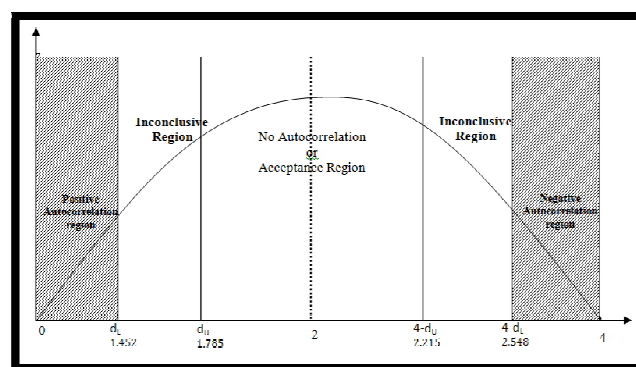$4 - D_u = 4 - 1.785 = 2.215$

Figure 1: Durbin Watson Graph
Dw = 1.13

      From the graph in Fig.1, it can be deduced that the DW statistics fall in the area of inconclusive region which signified that the study can be reliable if relevant measures were incorporated.

4.8. Discussion of Findings

      For a long period of time, like for thirty-three years, this study finds the effect of foreign direct investment on Nigerian economic development for thirty-three years. The regression analysis found that FDIhas significant effect on the economic development. Macroeconomic variables do not show significant influences on economic development.

      Specifically, the variables of foreign direct investment and domestic investment were found to have positive and significant effect on economic development in Nigeria, the results are impressive by conforming to the earlier expected positive relationship. Expectedly, exchange rate depicted a positive but with an insignificant effect on economic development. More so, the rate of inflation is negative and insignificant, this result is however expected based on the role of inflation in an economy which is usually not favourable. Conversely, interest which is expected to be positive negates the sign and became negative even more with an insignificant effect on economic development. This connotes that the rate at which banks disbursed loans and advances to creditworthy customers is questionable and need to be reconsidered.

The Adj R^2 showed that approximately 98.34% of variations in economic development are explained by the explanatory variables (FDI, DI, EXR, INF and INT) while the remaining 1.66% is accounted by factors not specified in the model. However, The Durbin Watson correlation test indicated that the presence of autocorrelation in the model is inconclusive, nonetheless, the result is reliable looking at the overall model where the probability value is less than 5% significant level.

5. Conclusion

      The empirical result indicated that foreign direct investment significantly impacts the Nigerian economic growth. This suggests that the implementation of appropriate structural policies can spur economic development in Nigeria. The main finding from this study indicates that both foreign private investment and domestic investment in Nigeria has been significant on her economic development; hence, it justifies the assertion of Oyedokun and Ajose (2018), that the role of foreign capital and domestic investment cannot be put sole contributor behind the progress of Nigerian economy. Nonetheless, exchange rate, inflation rate and interest rate can also contribute to economic development if government put up policies measures that are adequate to tackle the menace of instability in these variables. The lending rate also allowed for the effective and efficient intermediation of funds to the users of funds to participate in productive activities that contribute to economic development (Sulaiman & Oke, 2012).

      Based on the empirical result, the study concluded that foreign direct investment has significant effect on economic development in Nigerian context under the investigated period. In the light of the above findings, the study is consistent with Okafor, Ugochukwu and Ezeaku (2016), George-Anokwuru (2017), Adekunle and Sulaimon (2018)studies that foreign private investment significantly influenced economic development in Nigeria. The study recommends more governmental policies and programs; The regulatory and supervisory framework for the financial sector should be strengthened. One way to achieve this is by laying down strict prudential rules and regulations to stabilize and strengthen the banking industry especially controlling the high lending rate on loan and advances.

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