Determinants of FDI and Economic Growth in Nigeria (1971-2010): A Scientific Analysis

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Abstract: *This term paper is sets out to examine the impact of foreign direct investment on Nigeria economic growth and development. It specifically seeks to ascertain to examine the nature, trend and sectoral inflow of foreign direct investment in relation to the economic growth in Nigeria and identify the impact of FDI on some macro - economic indicators. Data for the study were extracted from Central bank of Nigeria's statistical bulletin volume 18, (2009) during the period 1971-2010 & also based on the findings of Dr. Mahendra pal. How economic growth rate determines the attractiveness of FDI in Nigeria. For this, we have studied the empirical relationship between FDI as Dependent variables & Growth rate as Independent variables, for the period of 40 years with the help of OLS regression technique. The results revealed that there exist a long-run relationship between dependent and explanatory variables. Also, there is a need for constructive attention to be given to provision of needed infrastructure, to enhance economic growth and development.*

Key words: *FDI, Growth Rate, Economy, Foreign Investment, OLS regression.*

1. INTRODUCTION:

Foreign Direct Investment is increasing in importance in the global economy due to the additional resources they pooled for development in the host country. They have also attracted great controversy concerning their positive or negative contributions to economic development of the host country. In recent years FDI have attracted renewed interest both in the underdeveloped & developed countries. Even at the UNCTAD and now WTO there has been growing suspicious about FDI (Anyanwu, 1998). Furthermore FDI has attracted the attention of most governments. First is the desire to extend the market system because many developing countries are heavily indebted externally. The problem of external debt burden is not solved by borrowing more but by attracting more private flows in the term of FDI. This enhances the market systems, secondly deals with the need to fill the foreign exchange gap. With foreign direct investment both exchange rate risk & commercial risk are passed on to the invertors rather than being borne by the host government. It also helps to complement government reform policies of economic openness & trade liberalization. Therefore the main focus of the paper is to look at the impact of FDI on Nigerian economy.

2. AN OVERVIEW OF NIGERIAN ECONOMY:

Federal republic of Nigeria comprising 36 states & its capital is Abuja. The country is located in West Africa. It is the most populous country in Africa & seventh most populous in the world. Its oil reserves have brought great revenues to the country. Nigeria is classified as a mixed economy emerging market, and has already reached middle income status according to the world bank ,with its abundant supply of natural resources, well developed financial, legal ,communications ,transport sectors & stock exchange , which is the second largest in Africa. Petroleum plays a large role in Nigerian economy accounting for 40% of the GDP & 80% of government earnings.

Nigeria's economic growth has averaged about 7.4% annually over the past decade and remained robust in 2011 at 6.9%, driven by the non-oil sector, particularly telec0mmunications , constructions , wholesale trade & retail trade , hotel & restaurant services , manufacturing and agriculture (according to Africa Economic Outlook – 2012). A major challenge for the economy is the dilapidated state of infrastructure & the over- dependence on the oil & gas industry. These are the government's priority list. The authorities are trying to get the private sector involved in infrastructure development & to develop the non-oil sector.

Figure 01- Macroeconomic Indicators of Nigeria

Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.8	6.7	6.9	6.6
Real GDP per capita growth	5.3	4.1	4.4	4.1
CPI inflation	13.7	10.2	10.1	8.4
Budget balance % GDP	-7.7	-0.2	0.3	0.2
Current account % GDP	6.2	11.6	10.8	9.8

Figures for 2010 are estimates; for 2011 and later are projections.

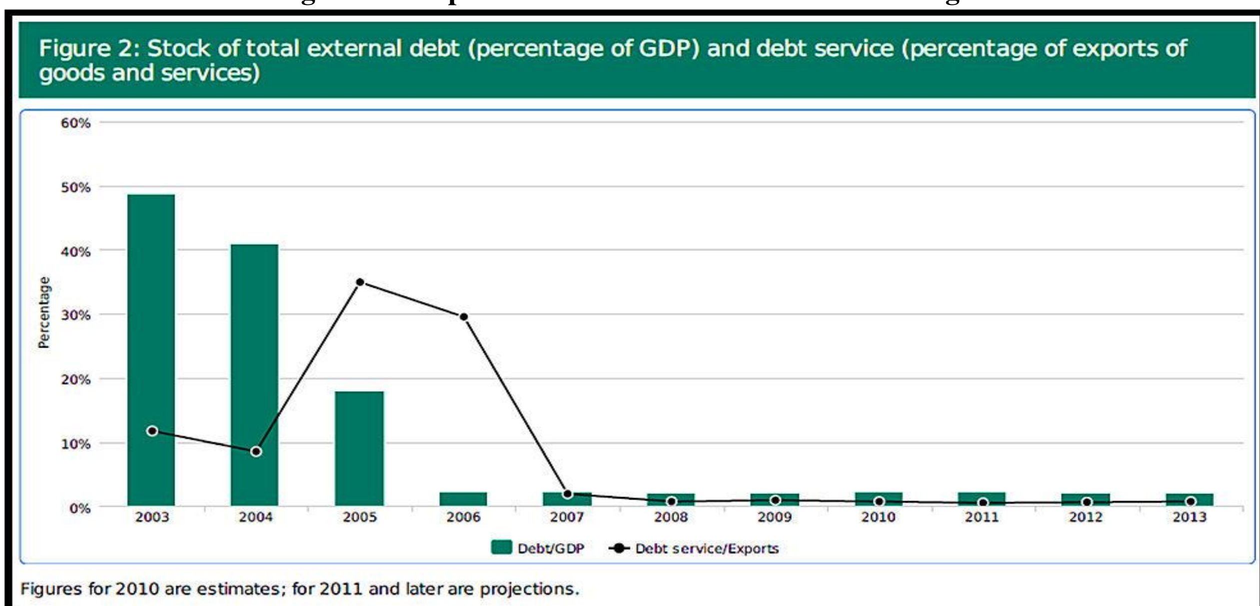
Curtsey—Africa Economic Outlook (2012)

3. IMPACTS OF FDI ON ECONOMIC GROWTH OF NIGERIA:

Measuring the effect of FDI on economic growth occupies a substantial body of economic literature. Many theoretical and empirical studies have identified several channels through which FDI may positively or negatively affect economic growth. However, probably due to relatively small level of foreign direct investment to Africa, when compared with other regions, e.g. Latin America and Asia, not many studies have been reported on the effects of FDI on economic growth. Moreover, most existing study were large share of FDI is concentrated on the manufacturing industries. No known study to our knowledge has been focused on an economy where extractive industries take the lion share of inward FDI as in the case of Nigeria. Nigeria as a country, given her natural resource base & large market size, qualifies to be a major recipient of FDI in Africa and indeed one of the top three leading African countries that consistently received FDI in past three decade. Odozi (1995) notes that foreign investment in Nigeria was made up of mostly "Greenfield" investment, that is, it is mostly utilized for the establishment of new enterprises and some through the existing enterprises. Aremu (1997) categorized the various types of foreign investment in Nigeria – (01) wholly foreign own (02) joint ventures (03) special contract arrangements (04) technology management & marketing arrangement (05) subcontract co-production and specialization.

Currently Foreign direct investment (FDI) into Nigeria fell from USD 8.65 billion in 2009 to 6.09 billion in 2011 as a result of the global economic troubles and uncertainty over a petroleum industry bill which is perceived as unfavorable to trans-national corporations. However Chinese direct investment in non-oil sectors has been successful. Chinese enterprises have invested in manufacturing, telecommunications, power & transport and Chinese construction companies are active in Nigerian infrastructure projects. A large share of FDI goes to the Non-agriculture sector which is controlled by large foreign owned trading companies that had a monopoly over the distribution of imported goods.

Figure 02- Impacts of FDI on Economic Growth of Nigeria



Curtsey- Africa Economic outlook (2012).

4. REVIEW OF LITERATURE:

There have been some studies on investment and growth in Nigeria with varying results and submission. For example, **Dr. Mahendra Pal** talks about in his study, there are positive relationships between FDI & Economic growth in Nigeria, they concluding that greater inflow of FDI will spell of better economic performance for the country (2006). **Ariyo (1998)** studied the investment trend and its impact on Nigeria's economic growth over the years. He found that only private domestic investment consistently contributed to rising GDP growth rate during the period considered (1970-1995).

Further , on the basis of Time-Series data **Ekpo (1995)** reports that political regime, real income per capita , rate of inflation , world interest rate , credit rating and debt service were the key factors explaining the variability of FDI into Nigeria. In his study of the determinants of FDI in Nigeria, **Anyanwu (1998)** identified change in domestic investment, change in domestic output or market size, indigenization policy and change in openness of the economy as major determinants of FDI.

Adelegan (2000) explore the seemingly unrelated regression model to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption and pro- import and negatively related to gross domestic investment. **Akinlo (2004)** found that foreign capital has a small and not statistically significant effect on economic growth in Nigeria. However these studies did not control for the fact that most of the FDI was concentrated in the extractive industry. In other words, it could be put that these work assessed the impact of investment in extractive industry (oil & natural resources) on Nigeria's economic growth.

5. OBJECTIVES OF THE STUDY:

FDI refers to ownership and control of decision-making in an enterprise located in one country by investor escheated in another country. Several factors suggest that the indirect benefits of FDI may be less in extractive especially in oil industries. One, extractive sector (such as oil sub sector) is often an enclave sector with little linkages with the other sectors. Two, the transfer of technology between foreign firms and domestic ones may be less in extractive industries where the technology often embodied is extremely capital intensive production. Thus, given the pattern of FDI flows to Nigeria (mostly in oil sector) and the apprehensions as regards the benefits from extractive FDI, it is imperative to examine empirically the situation in Nigeria. This, of course, constitutes the objective of this paper. The objectives of this paper is –

- To trace the relationship between FDI & economic growth in Nigeria.
- To evaluate the FDI policy in Nigeria.

6. DETERMINANTS OF FDI FLOWS:

The unpredictability of autonomous FDI flows, in both scale and direction, has generated a substantial research effort to identify their major determinants. The remainder of this paper is mainly concerned with examining the factors influencing the destination of the investment: Host-country determinants, rather than industry specific factors. The major determinants of FDI are as follows-

(01) Size of the Market- Econometric studies comparing a cross section of countries indicate a well- established correlation between FDI and the size of the market. Some studies found GDP growth rate to be a significant explanatory variables, while GDP was not, probably indicating that where the current size of national income is very small, increments may have less relevance to FDI decisions than growth performances, as an indicator of market potential. For the majority of low income countries which fail to attract large FDI flows, their small domestic markets are often cited as the main deterrent. Given other economic and political shortcomings, most investors are doubtful about the value of installing a factory unless they can achieve a 'critical mass' for their products. Regional integration is often perceived as a positive means of compensating for small national markets.

(02) Degree of Openness- Openness of the host country's economy to trade is the ratio of trade (imports and exports) to GDP. A range of surveys suggests a widespread perception that 'open economies' encourage more foreign investment. One indicator of openness is the relative size of the export sector. Particularly manufacturing exports are a significant determinant of FDI flows and that tests show that there is strong evidence that exports precede FDI flows. China in particular has attracted much foreign investments into the export sector. In contrast, most low income SSA economies have remained more inward oriented.

(03) Labour Costs & Productivity- Empirical research has also found relative labour costs to be statistically significant, particularly for foreign investment in labour-intensive industries and for export oriented subsidiaries. The decision to invest in china, for example, has been heavily influenced by the prevailing low wages rate. However, when the cost of labour is relatively insignificant (when wage rate vary little from country to country), the skills of labour force are expected to have an impact on decisions about FDI location. Productivity levels in sub-Saharan Africa are generally lower than in low-income Asian countries, and the lack of engineers and technical staff in these countries is reported as holding back potential foreign investment, especially in manufacturing; it lessens the attractiveness of investing in productive sectors.

(04) Political Risk or Political Stability- It is widely acknowledged that when a country is politically unstable its economic growth hindered. Political risk is usually measured by the probability change of government, as well as violent riots, and politically motivated strikes. But, where the host country possesses abundant natural resources, no further incentive may be required, as is seen in politically unstable countries such as Nigeria, where high returns in the extractive industries seem to compensate for political instability. Large mining companies overcome some of the political risks by investing in their own infrastructure maintenance and their own security forces. Moreover, these companies are limited neither by small local markets nor by exchange-rate risks since they tend to sell almost exclusively on the international market at hard currency prices.

(05) Infrastructure- Good infrastructure facilitates production, reduces operating costs and thereby promotes FDI. Infrastructure increases the productivity of investment and thereby enhances economic growth. Some of the measures of infrastructure in literature include electric power transmission and distribution losses, number of telephone per 100 populations and gross fixed capital formation. But foreign investors also point to the potential for attracting significant FDI if host governments permit more substantial foreign participation in the infrastructure sector. Recent evidence seems to indicate that, although telecommunications and airlines have attracted FDI flows (e.g. India), other more basic infrastructure such as road-building remains unattractive, reflecting both the low returns and high political risks of such investments.

(06) Incentives And Operating Conditions- Most of the empirical evidences support the notion that specific incentives such as lower taxes have no major impact on FDI, particularly when they are seen as compensation for continuing comparative disadvantages. On the other hand, removing restrictions and providing good business operating conditions are generally believed to have a positive effect. In China, the ‘open door policy’ and enhanced incentives for investing in the SEZ contributed to the initial influx of FDI. Further incentives, such as the granting of equal treatment to foreign investors in relation to local counterparts and opening up of new markets (e.g. air transport, retailing, banking), have been reported as important factors in encouraging FDI flows in recent years. However, the lack of transparency in investment approval procedure and an extensive bureaucratic system are still deterring foreign investors. Survey indicates that the lack of the clear-cut polices with respect to foreign investment and excessive delays in approval procedures are amongst the most important deterrents. Nigeria in contrast, continues to attract foreign investment as oil-exporting countries despite its erratic and relatively inhospitable polices.

(07) Privatization- Though privatization has attracted some foreign investment flows in recent years (e.g. Nigeria in 1993 & Ghana in 1995), progress is still slow in the majority of low income countries, because the disinvestment of state assets is a highly political issue. Also financial markets in most low-income countries are slow to become competitive; they are characterized by inefficiencies, lack of depth and transparency and the absence of regulatory procedures. They continued to be dominated by government activity and are often protected from competition. An under-developed financial sector of this type inhibits privatization and discourages foreign investments.

(08) Inflation Rate- Inflation can simply be said to mean a general and continuous increase in the prices of goods and services. The maintenance of price stability is one of the principal objectives of macroeconomic management. In inflationary economy, it is difficult for money to act as a medium of exchange and store of values without adverse effect on output, employment and real income. Now a day’s ‘real interest rate’ is the most important criteria to pull the FDI in his country.

(09) Government Size & Real GDP- Government size is measured as the ratio of government consumption to GDP. It is expected to bear a direct relationship to economic growth. This is because higher level of government consumption should translate into provision of more social capital that should encourage production and growth. Economic growth simply refers to an increase in the income of a nation over a period of time. Without growth, development cannot take place & FDI is an indicator of development.

(10) Gross Capital Formation- This captures all the real-value-added to the economy in real-asset-terms which will lead to the further enhancement of savings, investment and generation of more wealth in future. It is defined as an addition to stock of capital assets set aside for future productive endeavors in real sector which will leads to more growth in physical sector assets of the country. Gross capital formation is measured by the total value of producer’s acquisitions, less disposal of fixed assets during the accounting period plus certain additions to the value of non-produced assets such as subsoil assets or realized by the productive activity of institutional units. It has a positive impact on private saving accumulation in the sense that increase in capital formation will lead to more savings. When saving accumulates it will lead to an increase in gross domestic investment (GDI) and income generated as a result of the investment made will, in turn, lead to GDP growth.

Other determinants are- Human capitals, Low DSR, High EOC & SOC, and High Foreign Exchange Reserve level etc.

7. METHODOLOGY:

The main issues of this paper relates to understanding the effects and impact of FDI on the Nigerian economy as well as our ability to attract adequate amounts, sufficient enough to accelerate the pace of our economic growth & development. From related research and studies it was revealed that MNCs are highly adaptive social agents and

therefore, the degree to which they can help in improving economic activities through FDI will be heavily influenced by the policy choice of the host country.

Selection of Time Period: To find a real & good results and conclusions we select forty years (40) of Nigerian GDP and FDI data for the time period of 1971 – 2010.

Data Sources:

- International Financial Statistics of IMF.
- World Bank Global Financial Indicators.
- Central bank of Nigeria.
- African Economic Outlook 2012.
- Dr. Mahendra Pal's Econ club.
- UNCTAD statistics annual report.

Selections of Variables: A unique way to conceptualizing the impact of FDI on the economic growth of Nigeria especially in the era of Globalizations is to analyze the impacts of FDI on certain Macroeconomics variables. Therefore we have selected two variables such as -- **GDP & FDI**.

Foreign direct investment (FDI) is defined as "Investment made to acquire lasting interest in enterprises operating outside of the economy of the investor". The FDI relationship consists of a parent enterprises and a foreign affiliate which together form a multinational corporation (MNC). The UN defines control in this case as owning 10% or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm; lower ownership shares are known as portfolio investment. Until recently FDI was not fully appraised by African leaders as a feature of economic development reflecting largely fierce that it could lead to loss of political sovereignty, push domestic firms into bankruptcy, due to increased competition and if entry is predominantly in the natural resource sector it could accelerate the pace of environmental degradation. The two economists Ramchandran and Shah (2004) argue that much of Africans fear towards FDI is rooted in history, ideology and politics of post independent period. But following arguments are legitimate to convince Africa –

- FDI generates employment, growth.
- FDI integrates African nations into global economy.
- FDI raises skills of local manpower.
- FDI enhances efficiencies.
- FDI transfers modern technology to host country.

Gross Domestic Product (GDP) is one of the ways of measuring the size of its economy. The GDP of a country is defined as the total market value of all final goods and services produced within a country in a given period of time (usually a calendar year). It is also considered the sum of value added at every stage of production (the intermediate stages) of all final goods and services produced within a country in a given period of time, and it is given a money value. The most common approach to measuring and understanding GDP is the expenditure method:

GDP=consumption + gross investment + government spending + (exports-import).
Or,
GDP= C + I + G + (x-M).

Estimation Techniques: For the purpose of empirical analysis and scientific analysis, we have used Ordinary Least Square (OLS) regression technique and for this we used MS Excel, Stata software. Also we calculated t-test & R square during testing hypothesis. These techniques traces positive relationship between Dependent Variables (DV) and Independent Variables (IV) .Our DV is rate of growth (GDP) and IV is FDI/GDP ratio.

Model Specifications: TO achieve the stated objective of the study, the under listed variables are used in building the Models---
FDI --- foreign direct investment
GDP --- gross domestic production
The Models will therefore be----

$$Y = f(FDI) \text{ -------------- } (01)$$

Where, Y = is dependent variable which shows rate of growth of real GDP.
FDI = is independent variable Foreign Direct Investment.
This Equation tells us that there is a positive relationship between dependent variable (Y) and independent variable (FDI), it means if FDI rises then GDP automatically increases.

$$Y = \alpha + \beta\, FDI + e \text{ ---------- } (02)$$

Where, α = is alpha.
β = is beta.
e = is standard error.

This Econometric Equation tells us about unit change. It means, if one unit change in independent variable then how much unit change in dependent variable.

Log Y = log α + log β FDI + e---------- (03)

This Logarithmic Equation tells us about percentage change. It means, if one percentage change in FDI then how much change in GDP.

8. HYPOTHESIS FORMATION & TESTING:

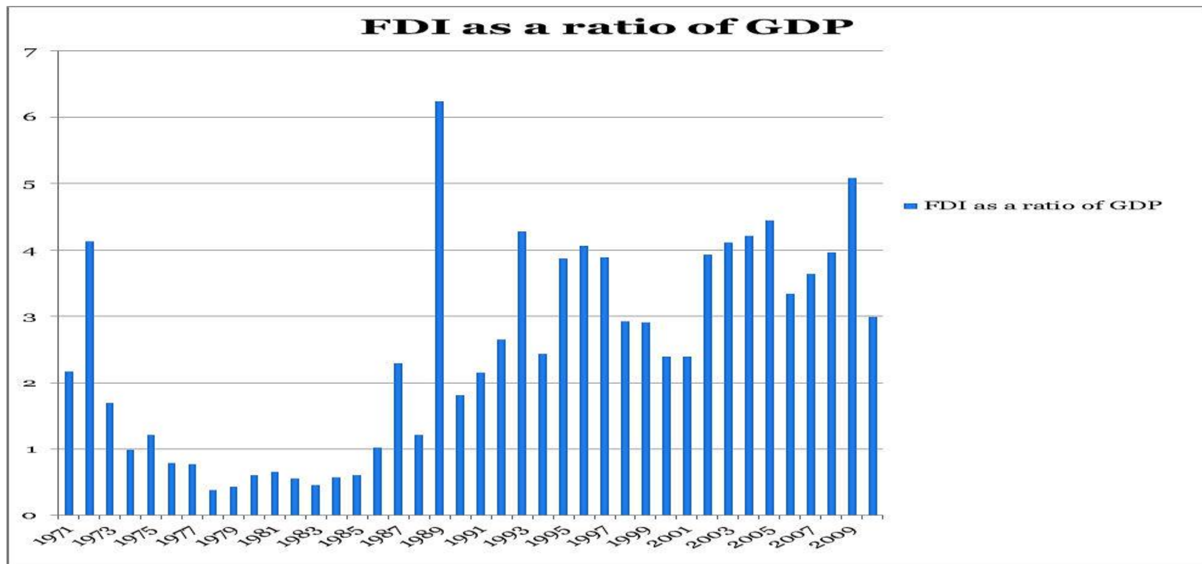
To achieve the stated objectives of the study, we have to first form the Hypothesis. So the **HYPOTHESIS** is- ***"There is a positive relationship between FDI and GDP of Nigeria"***. To prove this we will use tables, bar diagrams, regression techniques through STATA software.

Table --- 01

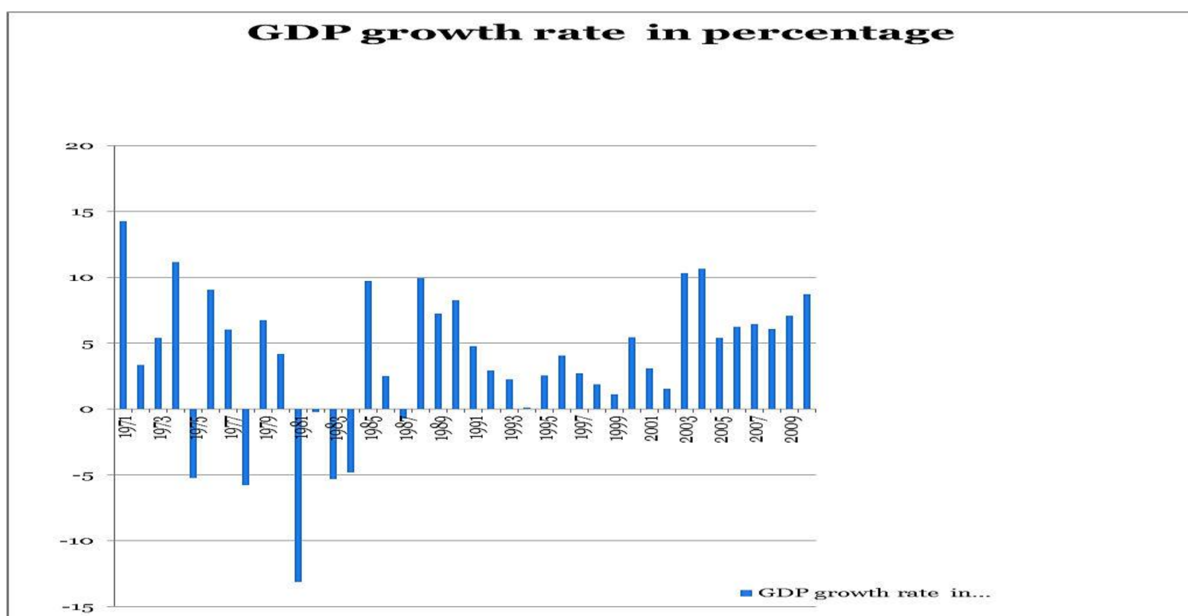
Years	FDI As A Ratio Of GDP	FDI Net Inflows	GDP Growth Rate In Percentage
1971	2.17	286,000,000.00	14.24
1972	4.13	305,000,000.00	3.36
1973	1.69	373,000,000.00	5.39
1974	0.99	257,000,000.00	11.16
1975	1.21	470,120,000.00	-5.23
1976	0.79	339,000,000.00	9.04
1977	0.77	440,514,200.00	6.02
1978	0.38	210,933,300.00	-5.76
1979	0.43	309,598,900.00	6.76
1980	0.61	738,870,000.00	4.2
1981	0.66	542,327,300.00	-13.13
1982	0.56	430,611,300.00	-0.23
1983	0.46	364,434,600.00	-5.29
1984	0.57	189,164,800.00	-4.82
1985	0.61	485,581,300.00	9.71
1986	1.02	193,214,900.00	2.51
1987	2.29	610,552,100.00	-0.71
1988	1.21	378,667,100.00	9.92
1989	6.24	1,884,250,000.00	7.23
1990	1.81	587,882,900.00	8.26
1991	2.15	712,373,400.00	4.76
1992	2.65	896,641,300.00	2.92
1993	4.28	1,345,369,000.00	2.23
1994	2.43	1,959,220,000.00	0.12
1995	3.87	1,079,272,000.00	2.53
1996	4.06	1,593,459,000.00	4.07
1997	3.89	1,539,446,000.00	2.73
1998	2.92	1,051,326,000.00	1.88
1999	2.91	1,004,917,000.00	1.11
2000	2.39	1,140,138,000.00	5.43
2001	2.39	1,190,632,000.00	3.11
2002	3.93	1,874,042,000.00	1.55
2003	4.11	2,005,390,000.00	10.32
2004	4.21	1,874,033,000.00	10.65
2005	4.44	4,982,534,000.00	5.41
2006	3.34	4,854,417,000.00	6.23
2007	3.64	6,034,971,000.00	6.45
2008	3.96	8,196,606,000.00	6.05
2009	5.08	8,554,841,000.00	7.09
2010	2.99	6,048,560,000.00	8.71

Curtsey—IFS –CD Rom (IMF) & African Development Report, Dr. MAHENDRA PAL ECON LAB.

On the above shown data we draw two Bar Diagrams and to show relationship between FDI and GDP we draw one Line graph, this has shown you on the next pages----

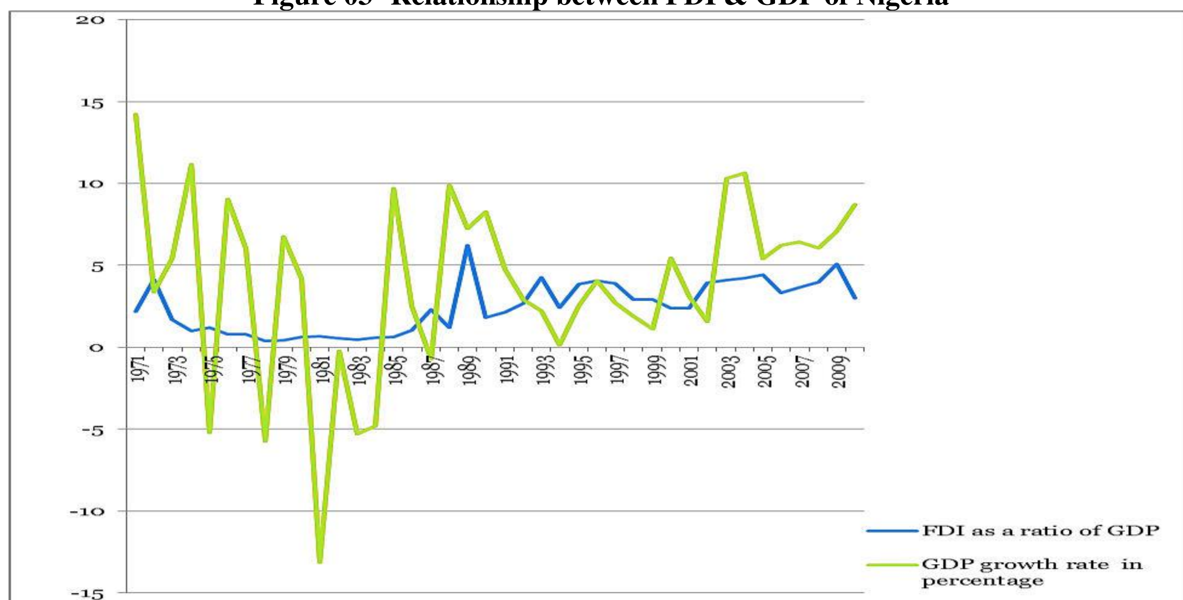


Curtsey— UNCTAD Report, 2011



Curtsey—Central Bank of Nigeria (2012)

Figure 03- Relationship between FDI & GDP of Nigeria



Curtsey-- Dr. Mahendra Pal Econ Lab.

Observation: From the above bar diagram and graph we observe that, there is fluctuation in the growth rate and FDI/GDP ratio. A major rift of GDP shows during 1970s – 1980s. One of the reasons behind this is the decreasing level of FDI inflows during that period. As we move forward, we see increase in FDI which is further enhances the GDP growth rate. The best relationship developed in between FDI & GDP was 2001- 2008. During 2009 banking crisis in Nigeria followed a period of high credit growth rate under weak regulation & supervision. Yet due to FDI inflows is going forward, there is minimum lose in GDP growth rate of Nigeria. These phenomena prove the positive relationship between FDI & GDP growth rate.
Testing of hypothesis: During the process of testing hypothesis, we first create a Null Hypothesis, and then we going to prove this. The Null hypothesis (Null Ho) is---

"There is no relationship in between FDI & GDP of Nigeria"

During analysis of above data and bar diagram, we found that there is a trend of directly proportionality between FDI and GDP. It means that, when graph of FDI going upward then the graph of GDP of Nigeria automatically increases. The crux of this data is the relationships between both variables are going upward. Then it is proved that, there is positive relationship between both the variables. It can see in line graph properly. That's why it is said to be that the Null hypothesis is rejected and Alternate hypothesis (Alternate Ha) is accepted. It means that –

"There is a positive relationship between FDI and GDP of Nigeria"

Reliability of testing: To prove this above testing, we could also check the reliability of testing. For this we find out the regression results. After that we calculate t-test & R square. The results are shown below-

Table 02—Regression Output & Statistics

	COEFFICIENT	STANDARD ERROR(S.E.)	t - value
GDP growth rate in percentage	0.0843953	0.0445187	1.90
Constant value	2.1269	0.2951707	7.21
REGRESSION STATISTICS			
R square	0.864		
Adjusted R square	0.624		

Curtsey- Calculations Are Based On Excel Software

Result Interpretation: After testing Hypothesis reliability with the help of STATA / 12.0, we find the following results---

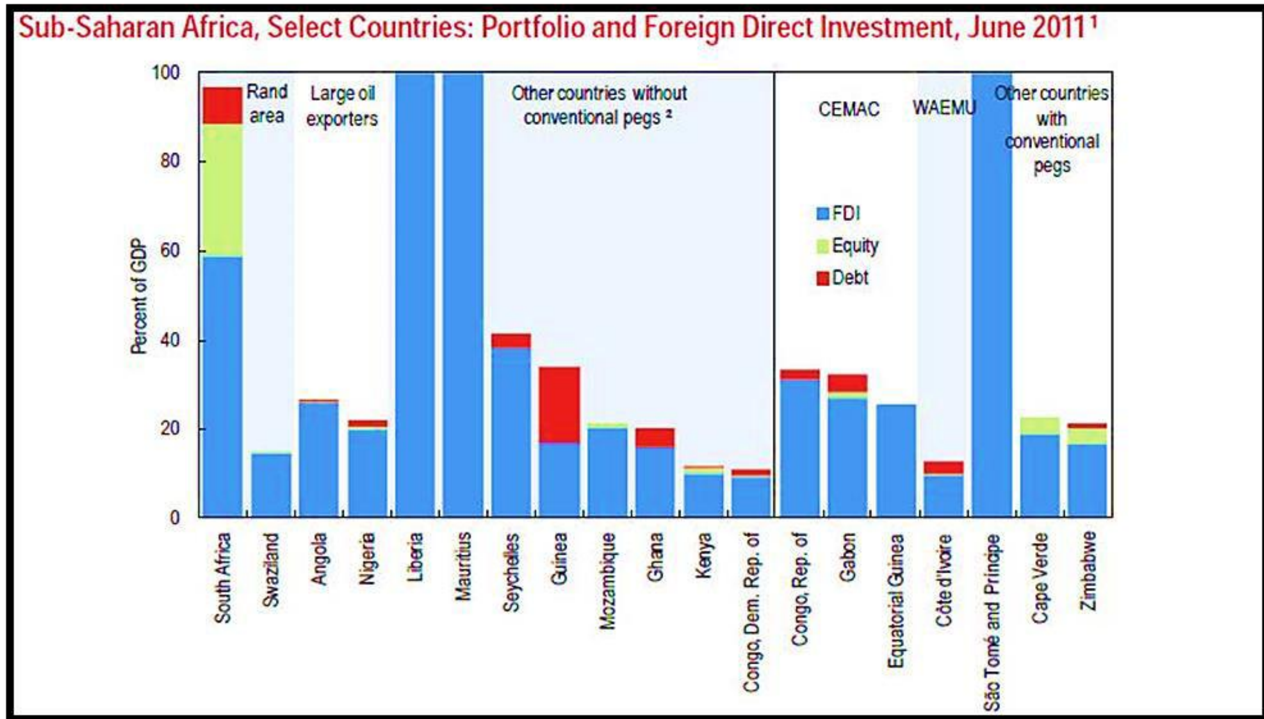
- Coefficient of correlation is good in between greater than 02 %. It means that the standard error is less. In above result, we found coefficient of correlation is 2.1269, which shows good relationship in between FDI and GDP growth rate & also indicates less standard error (0.02951707).
- T-test result is according to STATA data is 07.21.This shows that Null hypothesis is rejected. This shows that our hypothesis is 95% correct
- R square means that to what extant x is explaining y. If the result is around 0.8- 0.99, then we can say that, the explanatory power of x is very high & the relationship is positive. In this case we found the value of R square is 0.864, it means that relationship is very strong & positive.

On the basis of these findings we can conclude that both the variables are raising over the period & positive relationship between these two variables are very strong. This strong relationship may be due to the liberal policies of FDI & also due to the oil rich country perspective.

9. RECENT SENARIO OF FDI IN NIGERIA:

According to the DARTMOUTH BUSINESS JOURNAL (MAY 30, 2012), as Africa's most populous country, Nigeria also boats the continent's second largest oil reserves and has a very promising growth outlook. Poised to eclipse Africa's largest economy by 2015, Nigeria is becoming a rather worthy recipient of foreign capital, receiving anywhere from $10-$12 billion per year. However, in order to take full advantage of what foreign investment has to offer, Nigeria must first improve its economic & political climate.

Figure—03



Curtsey- IMF World Economic and financial survey (April 2012).

For Nigeria, meaningful, long lasting economic growth and development is almost entirely contingent upon securing substantial amounts of foreign direct investment. FDI, as it is called, is crucial for the Nigerian economy, as its permits the transfer of technology and facilitates improvements in productivity. Ultimately, this can help alleviate Nigeria's widespread poverty by increasing per capita income and elevating overall standards of living. To do so, Nigeria must address each of these impediments to growth through extensive political and economic reforms:

- Nigeria must reduce its dependence on oil and natural gas. Currently, petroleum and petroleum products accounts for 95% of Nigerian export. A fall in commodity prices can have potentially devastating impacts on the country's terms of trade. It would be best for Nigeria to develop and promote its non-energy exports, which include manufacturing, knowledge based services and agriculture.
- Through a greater diversification of the economy, Nigeria can also diversify the distribution of the FDI it receives. Up until now, Nigeria's FDI inflows have been almost exclusively in the natural resources sector, especially in the oil and natural gas sector. However, such a concentration in FDI limits technology transfer and inhabits job creation, due to the capital-intensive nature of the extraction process.
- An ongoing skills deficit also poses a problem for African nations like Nigeria. Nigeria is in desperate need of educational reform, to improve the value of human capital, raises productivity and ultimately increases per capita income. Nigeria's labor force is increasing rapidly, but with lagging literacy rates and the lacking of necessary skills, investor remains wary.
- Political reform is paramount, as political stability will be a key component in attracting foreign investment in future. With a fragmented, multi-cultural society consists of 250 ethnic groups, rival factions competing of power the oftentimes create a politically unstable climate, for instance- BOKO HARAM group.
- What's more, Nigeria is considered one of the most corrupt 40 nations in the world. Through strengthening its democratic institutions, Nigeria can help tackle corruption, maintain political stability, and make good governance a priority.
- The nature of African markets, namely the restricted movement of capital and human resources across borders, has also posed concerns for foreign investors. Because of this, Nigeria, as well as other African nations, since on average, 80% of African exports go to non-African nations. To mitigate this, Nigeria, as well as other African nations, has begun to liberalize its economy by reducing tariffs, import restrictions and other trade barriers. In doing so, Nigeria promotes increased competition and boosts intra-African trade. These measures allow more nations to reap the mutual benefits from trade, and attract greater FDI now that African markets are more integrated.

10. CONCLUSION:

In this paper we have analyzed the role of FDI in promoting the economic development of Nigeria. We have also analyzed the stylized facts about FDI in the Nigeria. We have undertaken a scientific study to trace the empirical

relationship between growth rate and FDI. Our data shows upward trends. Our OLS results also positive signs. These findings show us strong relationship between these two variables. However, there are some implications to achieving sustainable developments, but Nigerian government despite the debacle move forward to enhance its economy. Some recent initiatives are --- Africa-EU Energy Partnership (AEEP) has established renewable energy targets for 2020. Another one is National Economic Empowerment Development Strategy (NEEDS), which is Nigeria's economic reform programme, whose agenda is to liberalize the economy of Nigeria. Thus it can be say that Nigeria is successfully creates an environment that is conductive to foreign investment and healthy economic growth.

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