

The Nature of Foreign Direct Investment and Its Impact on Sustainable Economic Growth in Nigeria

Lawrence Ehikioya Imoughele¹ and Mohammed Ismaila²

Abstract

Most countries strive to attract Foreign Direct investment (FDI) because of its acknowledged advantage as a tool of economic development. Nigeria joined the rest of the world in seeking FDI as it help to arguments domestic resources of the economy and enhanced economic growth and development as evidenced by the kind of government policies intervention into the development of the economy. The study investigates the impact of components of inflow of FDI on the Nigerian economy for the period which spanned between 1986 and 2009. The objectives of the study lies in the separation of the impact of FDI on economic growth in terms of sector and sub sectors of the Nigerian economy because most others studies examine the aggregate impact of FDI on the Nigeria economic growth. The trend analysis reveals that FDI inflow to the Nigerian economy is dominated by foreign investor from Western Europe which is highly concentrated on the manufacturing sector. The study used co-integration and Error Correction Mechanism (ECM) to determine the relationship between FDI, its components and economic growth. The study found that continuous inflow of foreign direct investment in manning and quarrying, telecommunication, building and construction, trading and business and agricultural sectors have a robust impact on Nigeria's economics growth. The study recommended among others that there is need for government to consciously improve the business environment by conscious provision of necessary infrastructure, which will lower the cost of doing business in Nigeria and adequate macroeconomic policies that will open up the economy should be put in place to encourage foreign direct investment inflow and make Nigeria an export platform, where export commodities could be manufactured for established international market, this will help to Strengthen Nigeria's Balance of Payment position (BOP).

Keywords: Foreign Direct Investment, Manufacturing, Economics Growth, Investment

¹ Main Library, Ambrose Alli University, Ekpoma, Nigeria. Email: ehis.lawrence@yahoo.com

² PhD, Dept. of Economics, Ambrose Alli University, Ekpoma, Nigeria. Email: ismaco@outlook.com

Introduction

There is virtually no country in the world whose aims are not geared towards achieving economic growth and development. However, this is only possible if a country has adequate resources at its disposal (Chimobi and Igwe, 2010). In many developing countries, the resources to finance the optimal level of economic development are in short supply. This is because their economies are plagued with problems associated with vicious cycle of poverty, low domestic savings, low tax revenue, low productivity and limited foreign exchange earnings. As a result of this, developing countries inevitably resort to policy that will enhanced the flow of foreign finance to bridge the gap between the resources available to them and what is required for their advancement.

Rapid and sustained output growth of the domestic economy of Nigeria has since the political independence in 1960 been of paramount importance to successive governments in the country. Consequently, governments have implemented several national development plans and programmes aimed at boosting productivity, as well as, diversifying the domestic economic base. The goal of this is to attained high level of economic development that would translate into improvement in the living standards of the populace and hence a reduction in poverty through increase in the domestic output and the creation of employment, and thereby the maintenance of a favourable balance of payment position (Ariyo, 1997).

Chete (1998) postulated that the less satisfactory economic growth registered by countries of Sub-Saharan Africa Nigeria inclusive is low level of investment. Attracting foreign investment is therefore crucial from a number of standpoints. First, consistent and regulated inflow of FDI provides an important source of foreign exchange earnings needed to supplement domestic savings and raise investment levels. Second, import substituting investment would serve to reduce the import bill as investments in export industries will directly increase the country's foreign exchange earnings.

According to Chete (1998), a couple of benefit might also accrue from increased FDI inflow. These include the creation (or expansion) of local industries to supply inputs to the newly established plant; a rise in the overall level of domestic demand boosting incomes and, through taxation, state revenues, and the transference of labour (including management) skills and technology.

Probably persuaded by these overwhelmingly attractive theoretical benefits in support of FDI, authorities in Nigeria have, at various times, articulated a plethora of incentives aimed at attracting FDI into the country.

According to Ayanwale (2007), the policies embarked on by the Nigeria government to attract foreign investors as a result of the introduction of the Structural Adjustment Programme (SAP) could be categorized into five: the establishment of the Industrial Development Coordinating Committee (IDCC) , investment incentive strategy, non-oil export stimulation and expansion, the privatization and commercialization programme, and the shift in macro-economic management in favour of industrialization, deregulation and market - based arrangements .

One of the most salient features of today's globalization drive through openness of the economy is to encourage cross border investments, especially by transnational corporation and firms. Many countries and continent most especially developing countries including Nigeria now see attracting FDI as an important element in their strategy for economic development. This is most probably because FDI is seen as an amalgamation of capital, technology, marketing and management. Funke and Nsouli (2003) asserts that one of the pillars on which the New Partnership for African's development (NEPAD) was launched, was to increase available capital to US\$64 billion through a combination of reforms, resource mobilization and a conducive environment for FDI which Nigeria is signatory.

Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and indeed is one of the top three leading African countries that has consistently received FDI in the past decade (Asiedu, 2003).The UNCTAD World Investment Report (2003) showed Nigeria as the country second top FDI recipient after Angola in 2001 and 2002 in Africa also in 2006 UNCTAD shows that FDI inflow to West Africa is mainly dominated by inflow to Nigeria, who received 70% of the sub-regional total. However despite the enormous flow of FDI to Nigeria and the theoretical assumption that it contribute to developmental effort of the recipient country, her economy has been characterized by low manufacturing capacity utilization, high level of inflation, heavy debt burden, high unemployment rate, high level of income inequality, poverty to mention a few.

No wonder Yaqub (2010) characterised Nigeria economy to be sluggish in term of growth while sola (2009) shown that the Nigerian economy is characterised by prolonged period of economic stagnation, rising poverty level and decline of it public institutions also Olukemi (2009) reveal that Nigeria was one of the richest 50 countries in the early 1970s has retrogressed to becomes one of the 25 poorest countries at the threshold of the twenty first century. This is accredited to poor performance of the economic sector and the sub sectors. On the basic of this, it is therefore necessary to examine the nature of foreign direct investment in Nigeria and its impact on economic growth.

The major contribution of this study to knowledge lies in the separation of the impact of FDI on economic growth in terms of sector and sub sectors of the Nigerian economy because most others studies examine the aggregate impact of FDI on the Nigeria economic growth. The rest of the paper is divided into the following sections. Section 2 is literature review, section 3 is the nature of foreign direct investment and its performance in the Nigerian economy, section 4 is methodology of the study, section 5 is discussion of empirical results and section 6 is summary of findings, conclusion and policy implications.

Literature Reviews

The International Monetary Fund's Balance of Payment Manual defines foreign Direct Investment as investment made to acquire a lasting interest in a foreign enterprise with the purpose of having an effective voice in its management. FDI is an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor (World Bank, 1996). Such investments may take the form of either "market- seeking" or "Non Market seeking".

The marketing seeking investment aims at serving domestic markets. In order words, goods produced in host markets are sold in those markets. Hence, the FDI can influence growth and development through the nature of domestic demand such as large markets and high income levels of the host country. For non-market-seeking FDI, the aim is to sell the goods produced in the host economy on markets abroad.

Therefore, this type of investment will be more beneficial to the host country through the trade nexus-in other words, how easy it is to export the products and how competitive the products are in the global market and the added value of the product to the international market. Essentially, FDI will boost economic growth and development through increase in productivity of capital.

Thirlwall (1994) conceptualised foreign direct investment as investment by multinational companies with headquarters in developed countries. This investment involves not only a transfer of funds (including the investment of profits) but also a whole package of physical capital, techniques of production, managerial and marketing expertise, products, advertising and business practices for the maximization of global profits.

Feldstein (2002) argues that a number of advantages accrue to developing countries through FDI inflows. They include: FDI allows the transfer of technology especially in the form of new varieties of capital inputs, which cannot be achieved through financial investment or trade in goods and services.

Consequent upon technology transfer, it is possible also that FDI can promote competition in the domestic input market, Recipient of FDI often gains employee training in the course of operating the new business which directly contributes to human capital development in the host country and Profits generated by FDI contribute to corporate tax revenues in the host country. Perceived from either the connotation or justification for FDI as seen from the foregoing, there is little or no doubt that, FDI will augment the gap in real resources and contribute to the host country economic performance.

There is a growing literature on the relationship between FDI and economic growth in cross countries and country specific with vary submission and conclusion. For examples Li and Liu (2005) use the panel data of 84 countries to investigate the effect of FDI on economic growth. The study found a significant relationship between FDI and economic growth. Additionally, a stronger relationship was extracted when FDI is interacted with human capital.

The reason is as a result of stronger human capital poses better absorptive capacities due to the complementary nature of the FDI and human capital, most importantly for the developing countries.

On the other hand, Marwah and Tavakoli (2004) examined the effect of FDI and imports on economic growth in four ASEAN countries. The elasticity of the estimated production function of FDI was found to be significant in explaining the economic growth of all the four countries. Adewumi (2006) examined the contribution of FDI to economic growth in Africa using annual series, by applying time series analysis from 1970 to 2003. He found that FDI contributes positively to economic growth in most of the countries but it is not statistically significant.

Saqib, Masnoonand and Rafique (2013) reported that Pakistan's economic performance is negatively affected by foreign investment while its domestic investment has robust positive impact on the economic growth. Sukar, Ahmed and Hassa (2003) examine the effect of foreign direct investment on economic growth in Sub-Sahara African countries. Estimating augmented endogenous growth model using panel data for the period 1975-1999, the findings indicated that foreign direct investment has marginally significant positive effect on economic growth. Afalro (2003) examine Foreign Direct Investment and Growth with particular referenced on the effect of the Sector. The study shows that the benefits of FDI vary greatly across sectors by examining the effect of foreign direct investment on growth in the primary, manufacturing, and services sectors. The empirical analysis using cross-country data for the period 1981-1999 reported that total FDI exerts an ambiguous effect on growth. Foreign direct investments in the primary sector, however, tend to have a negative effect on growth, while investment in manufacturing has a positive impact. However evidence from the service sector show ambiguous effect.

Koojaroenprasit (2012) explore the impact of Foreign Direct Investment (FDI) on economic growth in South Korea for the period 1980 to 2009.using macroeconomic annual time series data and multiple regressions, the study finds that there is a strong and positive impact of FDI on South Korean economic growth while domestic investment has no significant impact on South Korean economic growth.

Ahmad, Hayat, Luqman and Ullah (2012) investigate the relationship between foreign direct investment and economic growth in Pakistan. Employing co-integration and error correction model the results show that there is a positive relation between foreign direct investment and gross domestic product in short as well as long run. They noted that if government want to make economic progress then there is a need to invite foreign investors because foreign direct investment increases economic growth.

Niazi (2011) also reveal that there is positive causal relationship between foreign direct investment and economic growth in Pakistan. Saqib, Masnoon and Rafique (2013) reported that Pakistan's economic performance is negatively affected by foreign investment while its domestic investment has robust positive impact on economic growth. Their findings support the dependency theory that FDI has negative impact on the host country economic growth.

Lamine and Yang (2010) evaluate the contribution of Foreign Direct Investment on Guinea Republic's Economic growth. The Granger Causality Test is used to study the relationship between FDI and Economic Growth proxy by GDP. They found that the level of FDI is still low in order to promote economic growth for the country. The Granger Causality Test demonstrated that the GDP can promote the level of foreign direct investment, which means that if the level of GDP increases in Guinea FDI will also increase. They recommended that policies that will encourage the inflow of foreign capital should be induced by creating a well-functioning investment climate.

Athukorala (2003) focuses on the FDI-led growth hypothesis in the case of Sri Lanka. The study is based on time series data from 1959 to 2002 and using econometric framework of cointegration and error correction mechanism to capture the two way linkages between variables interest. It was evident in the results that the regression analysis does not provide much support for the view of a robust link between FDI and growth in Sri Lanka and attribute the claimed to poor investment climate in Sri Lanka as a result of lack of good governance, corruption, political instability and disturbance, bureaucratic inertia, and poor law and order situation.

Insah (2012) examines foreign direct investment inflows and economic growth in Ghana for the study period which spanned from 1980 to 2010. Investigation of the series reveals the presence of cointegration between FDI and economic growth. Using a static error correction (ECM) and OLS model specified in a log, the empirical findings reveals that there exists a positive relationship between economic growth and FDI while the lagged values of FDI have inverse relationship with economic growth. He postulated that policy makers should not concentrate on current macroeconomic inflows of FDI but consider effects of past FDI inflows on current levels of economic growth.

Ray (2013) analyse the causal relationship between Foreign Direct Investment (FDI) and economic growth in India for the period, 1990 to 2011. The empirical analysis on basis of ordinary Least Square Method suggests that there is positive relationship between foreign direct investment (FDI) and economic growth proxy by GDP. He asserted that for FDI to be a noteworthy provider to economic growth, India would do better by focusing on improving infrastructure, human resources, developing local entrepreneurship, creating a stable macroeconomic framework and conditions favourable for productive investments to augment the process of development.

Louzi and Abadi (2011) focus on the FDI-led growth hypothesis in the case of Jordan. The study is based on time series data from 1990 to 2009. The econometric framework of cointegration and error correction mechanism was used to capture two way linkages between variables interest. The findings indicated that FDI inflows do not exert an independent influence on economic growth. However, domestic investment has a positive impact on economic growth.

For studies conducted in Nigeria, Fasanya (2012) postulated that despite the increased capital flows to African countries, including Nigeria, many African countries are still characterized by low per-capita income and high unemployment rates, foreign direct investments are theoretically and empirically supposed to solve these problems. The Nigerian government has been focusing on policies that will help attract foreign investors and yet the economy is still dwindling. In linewith this background, he study the impact of foreign direct investment on economic growth in Nigeria for the period 1970-2010 making use of annual time series data through a neo-classical framework. The findings show that foreign direct investments have positive impact on economic growth in Nigeria and so does domestic investment. The study recommends that for Nigeria to effectively reap the benefits of foreign and domestic investments, its economic planners should create a healthy and enabling business environment that encourages both foreign and local investors, provide incentives for innovation and skills improvement, and contributes to competitive corporate climate.

Akinlo (2004) investigated the impact of foreign direct investment (FDI) on economic growth in Nigeria, for the period 1970–2001. Employing ECM results show that both private capital and lagged foreign capital have small and statistically insignificant effect on the economic growth.

The findings support the argument that extractive FDI might not be growth enhancing as much as manufacturing FDI and conclude that growth would be enhanced if FDI inflows are channelled into sectors other than the oil sector. Therefore Government needs to provide appropriate environment to attract manufacturing FDI.

Ayanwale (2007) investigated the empirical relationship between non-extractive FDI and economic growth in Nigeria and also he examined the determinants of FDI inflow into the Nigerian economy for the period 1970 to 2002. The augmented growth model was estimated via the ordinary least squares and the 2SLS method to ascertain the relationship between the FDI, its components and economic growth. The study reveals that the main determinants of FDI in Nigeria are market size (proxied by GDP), stable macroeconomic policies and a level of human capital that is tolerable by investors. The study reported that FDI contributes positively to Nigeria's economic growth and that the FDI in the communication sector currently has the highest potential to grow the Nigeria economy, especially the non-oil sector. Furthermore the FDI in the manufacturing sector has a negative relationship with economic growth, suggesting that the business climate is not healthy enough for the manufacturing sector to thrive and contribute positively to economic growth.

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. He further noted that the abrogation of indigenization policy in 1995 encouraged FDI inflow into Nigeria and those efforts must be made to raise the nation's economic growth so as to be able to attract more FDI.

In another study, Ekpo (1997) reported that political regime, real income per capita, inflation rate, world interest rate, credit rating and debt service were the key factors explaining the variability of FDI inflows into Nigeria. Wafure and Nurudeen (2010) asserted that foreign direct investment provides capital for investment; it enhances job creation and managerial skills, and possibly technology transfer which have the capacity to induce the nation economic performance.

Employing the error correction technique to analyze the relationship between foreign direct investment and its determinants, the results reveal that the market size of the host country, deregulation, political instability, and exchange rate depreciation are the main determinants of foreign direct investment in Nigeria.

Danja (2012) postulated that the economic rationale for granting special incentives for attracting Foreign Direct Investment (FDI) is based on the belief that FDI bridges the 'idea gaps' between rich and the poor nations in addition to the generation of technological transfers and spillovers, employing econometric and statistical method to evaluate the relationship between FDI and major economic indicators and reported that FDI has not contribute much to the growth and development of the Nigerian economy due to repatriation of profits, contract fees, and interest payment on foreign loans. He therefore recommends human capacity building, infrastructural facilities and strategic policies to attract FDI inflow. Otepolo (2002) examines the importance of direct foreign investment in Nigeria. The study empirically examined the impact of FDI on growth. He concluded that FDI contributes significantly to growth especially through exports and recommended a mixture of practical government policies to attract Direct Foreign Investment (FDI) to the priority sectors of the economy.

Adelegan (2000) explored the Seemingly Unrelated Regression model (SUR) to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption, pro-import and negatively related to gross domestic investment. Similarly, Ayanwale and Bamire (2001) assessed the influence of FDI on firm level productivity in Nigeria and stated positive spillover of foreign firms on domestic firm productivity. 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 raising GDP growth rates during the period considered (1970-1995). Furthermore, there is no reliable evidence that all the investment variables included in his analysis have any perceptible influence on economic growth. He therefore suggested the need for an institutional rearrangement that recognizes and protects the interest of major partners in the development of the economy.

Ogbanje, Okwu and Saror (2010) analysed the fate of the agricultural sector in relation to foreign direct investment (FDI) in Nigeria. Data for the study were obtained from the Central Bank of Nigeria's statistical bulletin from 1970 to 2007.

Findings revealed that of the seven sectors, into which FDI was classified, agricultural sector got the least average net flow of investment and FDI has a significant impact on Nigeria agricultural productivity which will have a spill over effect on the economics performance. They recommended that Foreign countries should increase investment in Nigeria's agricultural sector so as to mitigate capital inadequate faced by key stakeholders of the sector and increase agricultural GDP. Also, efforts should be intensified by government and other stakeholders to make the sector more attractive to foreign investors. Opaluwa, Ameh, Alabi and Abdul (2012) examined the effect of Foreign Direct Investment (FDI) on the Nigerian manufacturing sector spanning 1975 – 2008. The study employed Vector Auto Regression (VAR), co-integration and error correction techniques to establish the relationship between FDI and the growth of manufacturing sector. The findings reveal that FDI has negative and significant effect on the manufacturing sector productivity suggesting that the business climate is not healthy enough for the manufacturing sector to thrive and contribute to positively to economic growth.

Eravwoke and Eshanake (2012) assessed the direction of causality between foreign direct investment and Economic growth in Nigeria. They reported that Economic growth (GDP) Does not granger cause Foreign Direct Investment (FDI) in Nigeria. They suggested that the government must appreciate the basic element of successful development strategy and encourage domestic investors before going after foreign investors considering the fact that they constitute the bulk of Investment activities in the economy.

Okon, Augustine and Chuku (2012) empirically investigate the relationship between foreign direct investment and economic growth in Nigeria between 1970 and 2008. The study reveals that there is endogeniety i.e., bi-directional relationship between FDI and economic growth in Nigeria and the Single and simultaneous equation systems shows that FDI and economic growth are jointly determined in Nigeria and there is positive feedback from FDI to growth and from growth to FDI. They noted that the policy implication of the result is that policies that attract more foreign direct investments to the economy, greater openness and increased private participation will need to be pursued and reinforced to ensure that the domestic economy captures greater spill-overs from FDI inflows and attains higher economic growth rates.

The Nature of Foreign Direct Investment and its Performance in the Nigerian Economy

The structural adjustment programme was adopted in the management of the Nigerian economy in 1986. The adoption of the macroeconomic programme embedded in the SAP started the process of gradual increase in FDI inflow. As noted earlier, among the details of the SAP policy measures were the inauguration of industrial Development coordination committee (IDCC), the companies and Allied matter Degree 1990, financial liberalization and debt – equity Swap programmes. These steps were targeted at encouraging FDI inflow to Nigeria. The programmes were largely successful in that aim, but the inflow was not sustainable as reveal in table 4.1. In 1986 the FDI inflow to Nigeria was #93,136 million. This increase to #66,787 million and #199,391 million in 1993 and 1995 respectively. However, the period of 1996 and 2003 witnessdoward trend of FDI from 1995. The FDI inflow to the country in 1996 was #122,600.6 million this increase to #157,508.6 million in 2000. 2004, 2007and 2009 recorded #249,220 million #552,498.6 million and #4412713 million respectively. This scenario is presented in table 1. The upward trend in the inflow of FDI is due largely to the privatization and commercialization exercise of the government where by public enterprises are put up for sale to the investing public.

From table 1 during period (1986-2009) the average percentage change in Nigeria real GDP was 31.29%, the share of FDI in GDP was 5.49% and the growth rate of inflow of FDI was 67.3% during the period. This revealed that there is no correlation between the growth rates of FDI inflow into the country and GDP growth. The graphical illustration in the trend of FDI share in GDP is presented in figure 1, appendix C.

Table 1: Flow of Fdi to Nigeria as Percentage of GDP. (1986 -2007)

Years	GDP # million	% growth of GDP	Total FDI inflow # million	% growth rate of FDI	% share of FDI In GDP
1986	69147	-	9313.6	-	13.5
1987	105223	52.17	9993.6	7.3	9.5
1988	139085	32.18	11339.2	13.5	8.15
1989	216798	55.87	10899.6	-3.9	5.03
1990	267550	23.41	10436.1	-4.3	3.9
1991	312140	16.67	12243.5	17.3	3.92
1992	532614	70.63	20512.7	67.5	3.85
1993	683870	28.4	66787	226	9.77
1994	899863	31.58	70714.6	5.88	7.86
1995	1933212	114.8	119392	68.8	6.18
1996	2702719	39.8	122601	2.69	4.54
1997	2801973	3.672	128332	4.67	4.58
1998	2708430	-3.338	152411	18.8	5.63
1999	3194015	17.93	154190	1.17	4.83
2000	4582127	43.46	157509	2.15	3.44
2001	4725086	3.12	161442	2.5	3.42
2002	6912381	46.29	166632	3.21	2.41
2003	8487032	22.78	178479	7.11	2.1
2004	11411067	34.45	249221	39.6	2.18
2005	14572239	27.7	324657	30.3	2.23
2006	18564595	27.4	481239	48.2	2.59
2007	20657318	11.27	552499	14.8	2.67
2008	24296329	17.62	399842	-28	1.65
2009	24712670	1.714	4412713	1004	17.9

Sources: **CBN**: Annual Reports and Statement of Accounts. CBN: Statistical Bulletin (various issues).

The breakdown of FDI inflow into various sectors during the period under review is shown in appendix A.

As expected, inflow of FDI in manufacturing and mining and quarry (oil) sector held the dominant position in the percentage share of total FDI in Nigeria following the adoption of SAP. From the table, the figure for the FDI in manufacture sector has been on a steady increase from 1986 till 2009 with a corresponding rising value from #2,810.2 million to #1743021 million respectively.

The average percentage share of the sector was 34.21% with the highest percentage share of 71% recorded in 1991 while the least was 19.3% in 1993. The increase in FDI flow to the manufacturing sector may be traced to the government new industrial policy such as favorable business environment through the provision of industrial facilities, restriction of import and the new privatization and commercialization programme, which encourages manufacturing (Ayanwale, 2007). Same analysis can be extended to FDI in mining and Quarrying sector. The FDI inflow to the mining and quarrying sector increases from #2,510.4 million in 1986 to #132,085.5 million in 2007. The value decrease to #85606.6 million in 2009. With an average percentage share of the total FDI of 29.32% the highest percentage share was 47.5% in 1995 and a negative value in 1991 that is -6.6% as reveal in the table. The inflow to other service sector also witness an increase between 1986 to 1988 with corresponding values of #529.8 million and #584.7 million. Negative value was recorded in 1990 with #-23.7 million. It further soars to #123556.0 million in 2009. The average percentage share of FDI in other service sector to total FDI inflow was 19.72% for the period (1986- 2009). The highest percentage share was recorded in 1994 with 34.5% while a negative value was observed in 1990 of 0.2%

The Building and construction FDI inflow to Nigeria profile was on the increase between 1986 to 1992 with corresponding value of #501.6 million and #1,406.6 million respectively. It decline to #71.2 million in 1993 and soar all through to #12,030.2 million in 2007. The value decreased to # 8825.4 million in 2009. The average percentage share of this sector in total FDI inflow to the country was 3.31% and the highest of 12.0% was recorded in 1991 while the least share was 0.1% in 1997. In the same vein, telecommunication equally had an increased flow of FDI from #80.4 million in 1986 to #10,758.2 million in 2007 but decreased to #13238.1 million in 2009. The percentage share of the sector in total FDI was marginal with an average of 1.3% for the period (1986 – 2009). Ayanwale (2007) observed that the considerable increased inflow of FDI to the telecommunication sector is as a result of the deregulation of the telecommunication sector by granting licenses for global system for mobile communication (GSM) operators. The maximum value of 3.0% was recorded in 2009 while the least value of 0.3% was observed in 1995.

The agricultural sector has not received appreciable inflow of FDI in the sector despite the comparative advantage the country possesses in the sector. The agricultural sector FDI inflow profile as reveal in the table indicate that the inflow was on the increase between 1986 to 1993 with a corresponding value of #128.2 million and # 1,208.5 million respectively.

However, constant value was observed from the table between 1995 and 2006 of #1,209.0 million and increased to #2647.6 million in 2009. The average percentage share of the sector in total FDI inflow was 1.1%. Highest percentage was observed in 1990 with 3.2% while the least was 0.2% in 2007. The profile in this sector as show in the table indicate low level of vertical backward integration of foreign investment activities to utilized the abundant factor resources (Areable Land) in Nigeria economy.

Examining the cumulative foreign direct investment inflow in Nigeria economy from selected countries under the study period shows a fluctuation value as shown in appendix C. The average accumulative foreign direct investment inflows from United Kingdom (UK) to Nigeria total foreign direct investment inflow was 31.68%. While the maximum value of 65.4% was recorded in 1991 and the least of 13.2% in 1996. The flows from United State (US) stood an average of 13.6%. The maximum value of 29.3% was recorded in 1992 while the least value was -6.8% in 1991.

The average accumulative foreign direct investment inflows from West Europe to Nigeria total foreign direct investment inflow was 40.47%. While the maximum value of 64.9% was recorded in 1996 and the least value of 14.5% in 1990. The flows from other countries stood an average value of 16.14%. The maximum value of 32.4% was recorded in 2004 while the least value was 1.3% in 1998.

Conclusively, this trend analysis reveals that FDI inflow to the Nigerian economy is dominated by foreign investor from Western Europe With the highest average, maximum and minimum value.

Methods of the Study

Theoretical Framework and Model Specification

That FDI is positively correlated with economic growth is situated in growth theory that emphasizes the role of improved technology, efficiency and productivity in promoting growth (Lim, 2001; Ayanwale, 2007).

The potential contribution of FDI to growth depends strictly on the circumstances in recipient countries. Certain host country condition is necessary to facilitate the spillover effects.

The effect of FDI on economic growth is analyzed in the standard growth accounting framework. To begin with, the capital stock is assumed to consist of two components: domestic and foreign owned capital stock. So,

$$K_t = k_{dt} + k_{ft} \text{-----} (1)$$

We adopt an augmented Solow production function (Solow, 1956) that makes output, a function of stocks of capital, labour, human capital and productivity (see Mankiw et. al. 1992). However, we specify domestic and foreign owned capital stock separately in Cobb - Douglas Production Function (Cobb and Douglas, 1928).

$$Y_{it} = A_{it} k_{dit}^{\alpha} K_{fit}^{\lambda} L_{it}^{\beta} H_{it}^{\gamma} \text{-----} (2)$$

Where y is the flow of output, K_{dt} , K_{ft} represent the domestic and foreign owned capital stocks, respectively, L is the labour, H is the human skills capital stock and A is the total factor productivity, which explains the output growth that is not accounted for by the growth in factor of production specified.

Taking logs and differentiating equation two (2) with respect to time, we obtain the familiar growth equation:

$$y_{it} = a_{it} + \alpha k_{dit} + \lambda k_{fit} + \beta l_{it} + \gamma h_{it} \text{-----} (3)$$

Where lower case letters represent the growth rates of output, domestic capital stock, foreign capital stock, and Labour and Human capital, and α , λ , β and γ represent the elasticity of output, domestic capital stock, foreign capital stock, labour and human skill capital respectively.

In a world of perfect competition and constant return to scale, these elasticity coefficients can be interpreted as respective factor shares in total output.

Equation three (3) is a fundamental growth accounting equation which decomposes the growth rate of output into growth rate of total factor productivity plus weighted sum of the growth rate of capital stocks, human capital stock and growth rate of labour. Theoretically, α , β and γ are expected to be positive while the sign of λ would depend on the relative strength of competition and linkage effects and other externalities that FDI generates in development process as discussed in previous chapters.

Following the established practice in the literature, K_d and K_f are proxied by domestic investment to GDP ratio (I_d) and FDI to GDP ratio (I_f) respectively in view of problems associated with measurement of capital stock. The use of rate of investment is hinged on the assumption of a steady state situation or a linearization around a steady state.

The final form of Equation 3 therefore is

$$Y_{it} = a_i + \alpha I_{dit} + \lambda I_{fit} + \gamma h_{it} + U_{it} \text{-----} (4)$$

Where U_{it} is an error term.

However, since the study out to investigate the impact of FDI on economic growth and development when other factors are held constant, the model can be specified as:

$$Y_{it} = a_i + \lambda k_{fit} + U_{it} \text{-----} (5)$$

If λk_{fit} which is foreign capital stock is disaggregated into its component as noted by CBN 2007, i.e. Foreign direct investment in manning and Quarry (FDIMQ), Foreign direct investment in manufacturing Sector (FDIM), foreign direct investment in telecommunication sector (FDIT), Foreign direct investment in agricultural Sector (FDIA), foreign direct investment in trading and Business service sector (FDITB), Foreign direct investment in building and construction sector (FDIBC) and Foreign direct investment in other service Sectors (FDIOS).

$$\therefore \lambda k_{fit} = \beta_1 FDIO_{it} + \beta_2 FDIM_{it} + \beta_3 FDIT_{it} + \beta_4 FDIA_{it} + \beta_5 FDITB_{it} + \beta_6 FDIBC_{it} + \beta_7 FDIOS_{it} + U_{it} \text{-----} (6)$$

Substitute equation 6 into equation 5.

$$\therefore Y_{it} = \beta_1 FDIO_{it} + \beta_2 FDIM_{it} + \beta_3 FDIT_{it} + \beta_4 FDIA_{it} + \beta_5 FDITB_{it} + \beta_6 FDIBC_{it} + \beta_7 FDIOS_{it} + U_{it} \quad (7)$$

Equation seven (7) is the basis for the empirical model estimation in the study.

A prior Expectation

$$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7 > 0$$

Sources of Data

This research work will rely on secondary sources of data. The annual time series data from 1986 to 2009 used in this study were obtained from Statistical Bulletin and Annual Report and Statement of Accounts of the Central Bank of Nigeria as well as the Annual Abstracts of statistics (various issues) published by the National Bureau of Statistics (NBS).

Method of Data Analysis:

The method of data analysis employed in this study is both descriptive and analytical. The descriptive tools include the use of graphs, tables and percentages.

The analytical tool used the contemporary co-integration and Error Correction Mechanism (ECM) of data analysis. This is premised on the fact that if the variable are non-stationary, the desirable properties of efficiency, consistency and unbiasedness will be lost if Ordinary Least Square (OLS) regression techniques used in the estimation of the equation.

Results and Discussion

In this section, we undertake empirical investigation regarding the influence of components of foreign direct investment on Nigeria economic performance which covered 1986 to 2009 using co-integration and error correction technique to determine the relationship between the dependent and independent variables.

Statistical Properties of Data Series

The time series properties of the variables were explored to determine the order of integration of each variable in the model. Standard procedure in the time series literature suggests that the researcher should check for unit roots in each series before estimating any equations. If a unit root exists in any variable, then the particular series is considered to be non-stationary. Estimation based on non-stationary variables may lead to spurious results with high coefficient of determination (R^2). (R^2 explains how much of the variances in the dependent variable is accounted for by the regression model from the sample) and t-statistics, but without any coherent economic meaning and inconsistent parameter estimator. The stationary test was performed to avoid spurious regression problems normally associated with time series econometric modelling. The Augmented Dickey Fuller (ADF) test for estimating unit roots was applied in this study. The result of ADF testing is presented in table 2 below:

Table 2: Augmented Dickey Fuller (ADF) test (Constant and Trend Included)

Levels			First Difference			
Variable	ADF-Stat	Critical Value (5%)	ADF-Stat	Critical Value (5%)	Order of Integration	Conclusion
FDIMQ	-0.3375	-3.0114	-6.6962	-3.0294	1	1(1)
FDIM	-1.0116	-2.9969	-4.1585	-3.0038	1	1(1)
FDIT	-0.0283	-2.9969	-5.1473	-3.0038	1	1(1)
FDIA	-1.3272	-3.0114	-4.4022	-3.0294	1	1(1)
FDITB	-0.1919	-2.9969	-4.0393	-3.0038	1	1(1)
FDIBC	-2.0969	-2.9969	-7.6584	-3.0038	1	1(1)
FDIOS	-1.4882	-3.0114	-4.5283	-3.0294	1	1(1)
GDP	-2.2278	-2.9969	-3.9596	-3.0038	1	1(1)

Sources: Authors Computation.

In the table above, Time series of all the variables i.e FDIA, FDIMQ, FDIT, FDITB, FDIBC, FDIOS and GDP were non-stationary in levels I (0) since the ADF value of each variable at level is less than the McKinnon 5% critical values but become stationary after first differencing, or integrated of order one, I(1). Since the ADF value of each variable at first difference is greater than the McKinnon 5% critical values.

Johansen Co-integration Test Result

Having tested the Stationarity of each time series, the next step is to conduct the search for the co-integration between the variables. In doing this, co-integration tests were conducted by using the reduced rank procedure developed by (Johansson 1988; Julius 1990). The result of Johansen co-integration test is shown in table 3 below. The result shows that there exist three (3) co-integrating equations at 5% level of significance. This is because the likelihood ratio is greater than critical values at 5%. This shows that there is long run relationship between real gross domestic product and all the explanatory variables. The result indicates that, in the long run; the dependent variables can be efficiently predicted using the specified independent variables. Thus, error correction model can be estimated.

Table 3 :Cointegration Rank Test Assuming Linear Deterministic Trend for Model

Series: FDIMQ, FDIT, FDIA, FDITB, FDIBC, FDIOS, GDP				
Eigen Values	Likelihood ratio	5 percentage Critical value	1 Percent Critical Value	Hypothesized no of CE (s)
0.999977	333.1239	124.24	133.57	None**
0.978880	142.8657	94.15	103.18	At most 1 **
0.834514	73.43039	68.52	73.07	At most 2*
0.695994	41.05078	47.21	54.46	At most 3
0.485511	19.61802	29.68	35.65	At most 4
0.317231	7.65557	15.41	20.04	At most 5
0.042769	0.786790	3.76	6.65	At most 6

* (**) denotes rejection of hypothesis at 5% (1%) significant.

L.R test indicates 3 co-integrating equation (s) at 5% significant.

Sources: Authors Computation.

Presentation of Regression Result

Over-parametised effect of component of foreign direct on Nigeria's economic growth models which incorporates the lagged changed of the models variables is constructed. This is then simplified until theory consistent and data coherent results are achieved by gradually deleting insignificant variables. The result of error correction model is presented below.

Table 4: Parsimonious Error Correction for component of foreign direct on Nigeria's economic growth: Modelling DLNGDP by OLS

Variable	Coefficient	Std Error	t-statistic	Probability
C	-28.5784	8.8853	-3.2164	0.0487
DLNFDIMQ	4.2718	1.2193	3.5034	0.0394
DLNFDIM	0.6605	0.1935	3.4126	0.0421
DLNFDIT	0.3992	0.2084	1.9155	0.1513
DLNFDIT(-1)	1.6619	0.6590	2.5220	0.0860
DLNFDIA	-8.3661	2.0754	-4.0310	0.0274
DLNFDIA(-1)	26.7445	7.5284	3.5525	0.0380
DLNFDITB	-2.2614	0.5186	-4.3604	0.0223
DLNFDITB(-1)	4.2054	1.1458	3.6702	0.0350
DLNFDIBC	3.1719	0.8308	3.8179	0.0316
DLNFDIOS	-3.5922	1.3042	-2.7544	0.0705
DLNFDIOS(-1)	-13.0999	3.6409	-3.5980	0.0368
ECM(-1)	-0.4603	0.0621	7.2164	0.0000

$R^2 = 0.8994$; $F = 76.37$; $D.W = 2.0147$

Sources: Authors Computa

From table 5, it could be observed that Foreign Direct Investment in Manning and Quarry (FDIMQ) assumes its appriori predicted sign of positive. This shows that a positive change in the FDIMQ variable will lead to positive change in Real Gross Domestic Product (RGDP) proxy for Nigeria economic growth. Precisely a one per cent point increase in FDIMQ will lead to 4.27 per cent increase in Nigeria economic growth. The coefficient of FDIMQ is also significant at 0.05significance level with a very low probability value of 0.0000. The implication of this finding is that Foreign Direct Investment in Manning and Quarry which is predominantly dominate by foreign investor has the tendency to induced Nigeria economic growth which is evident in the oil sector as the main stained of the Nigeria export and the determinant of her budget performance.

The coefficient of foreign direct investment in the manufacturing sector (FDIM) is 0.6605. This implies that a one percent increase in FDIM will result in a 0.6605 percent increase in Nigeria economic growth. This variable was found to be statistically significant at 0.05 percent levels of significance judging from the low probability value estimate of 0.0421. The implication of this finding is that foreign direct investment in the manufacturing sector has a lot of input in the growth the Nigerian economy.

The estimated coefficient of Foreign Direct Investment in the Building and Construction (FDIBC) was found to be 3.1719. Thus, a direct relationship with economic growth was established. This is consistent with the apriori expectation. The variable is also significant at 0.05 per cent levels of significance due to the low value of the probability of 0.0316. This result indicates that FDIBC is growth inducing in the Nigerian economy.

Foreign Direct Investment in Telecommunication (FDIT) variable coefficient bears a positive sign. This conforms to the apriori expectation. This implies that there is direct relationship between Foreign Direct Investment in telecommunication and Nigeria economic growth. The value of the coefficient is 0.3992. This implies that a 10 per cent increase in foreign direct investment in telecommunication will lead to about 39.92 per cent increase in Nigeria economic growth. The coefficient value of the variable is insignificant at 0.05 significances level, which is confirmed by high probability value of 0.1513. The non-robustness of this variable is as a result of capital flight that characterised this sector of foreign direct investment which means that foreign investor in this sector repatriate profit abroad.

However, one period lag of the variable has the theoretical expected positive sign. This implies that a one per cent increase in a year period lag of FDIT will lead to 1.6619 per cent increase in Nigeria economic growth. The coefficient value of FDIT is insignificant at 0.05 significances level, which is confirmed by high probability value of 0.0860. The positive nature of this variable indicates that this variable have the tendency to induced Nigeria economic performance given the vital importance of communication to business facilitation and overall economic development. The sector provides employment opportunities for the teaming population of the country (Ayanwale, 2007). With the employment, income is altered in positive ways and poverty is alleviated.

The result also shows that foreign direct investment in the agricultural sector (FDIA) has negative sign, which is not consistent with the appriori expectation. The coefficient of this variable is significant at 0.05significance level. The magnitude of the coefficient is -8.3661, and by implication, one per cent increase in foreign direct investment in the agricultural sector will lead to 8.3661 per cent in Nigeria's economic growth. The coefficient value of FDIA is significant at 0.05 significances level, which is confirmed by low probability value of 0.0274.

It's being negative and significant is a point to the fact that its effect on the economic is still very low, but an intensification of government and foreign investor to invest in this sector of the economy will lead to economic growth. The inverse and significant impact of the variable can be attributed to many factors including low flow of FDI in the sector as show by the graphical analysis and policy uncertainty. The one year lags period of Foreign Direct Investment (FDIA (-1)) however has a positive sign and significant at 0.05 per cent significance level as confirm by low probability value of 0.0380. The coefficient of the value is 26.7445 implying that a one per cent lag period increase in FDIA will lead 26.7445 per cent increase in Nigeria economic growth. This indicates that cumulative flow of FDI in agricultural sector has the capacity to induce the nation economic performance.

The result shows that Foreign Direct Investment in Trading and Business (FDITB) has inverse and significant relationship with economic growth in Nigeria. As reported in the table above, this show that a positive change in FDITB variables will lead to inverse change in Nigeria economic growth. One per cent increase in FDITB will lead to 2.2614 per cent decrease in Nigeria economic growth. This result indicates that increase in FDITB has not improved economic outcomes in Nigeria. The one period lag of FDITB variable conforms to the appriori expectation sign. It has positive sign indicating a direct relationship between this variable and Nigeria economic growth. An increase of one per cent in the period lag variable of FDITB (-1) will lead to 4.2054 per cent increase in Nigeria economic growth. This variable is significant at 0.05 per cent significance level as confirm by low probability value of 0.0350. A general assignment of the variable indicate that foreign direct investment in trading and business in the current period has not improve Nigeria economic output but commutative inflow of foreign investment in the sector has the ability to enhanced economic growth.

The result also shows that Foreign Direct Investment in other services (FDIOS) has inverse relationship with economic growth in Nigeria. This show that a positive change in FDIOS variables will lead to an inverse changes in Nigeria economic growth. One per cent increase in FDIOS will lead to 3.5922 per cent decrease in Nigeria economic growth. This result indicates that increase in FDIOS has not improved economic growth in Nigeria. However, the coefficient of the variable is not statistically significant at 0.05 per cent level of significance as reveal by the high value of probability of 0.0705.

The one period lag of FDIOS (-1) is not consistent with the a priori expectation of positive sign. This implies that an inverse relationship exist between this variable and Nigeria economic growth. An increase of one per cent in the period lag variable of FDIOS (-1) will lead to 13.0.999 per cent reduction in economic growth. This variable is significant at 0.05 per cent significance level as confirm by low probability value of 0.0368. What this result is saying is that this variable is important as far as Nigeria's economic growth is concerned, but the variable is not contributing positively to economic growth in Nigeria within the study period. Perhaps this could be a pointer to the credence of the assertion of CBN 2007 that the persistent deficit in the service account was attributable to the low investment in the shipping subsector by domestic entrepreneurs, non-compliance with global shipping policy as well as increased volume of business and private travel abroad by Nigerians. This causes deficit balance of payment, capital flight and reduces economic output.

The result shows that the coefficient of error correction mechanism (ECM) is negative -0.4603 and significant at 0.05 per cent critical level as evident by the low probability value of 0.0000. This shows that about 46 per cent disequilibria in Nigeria's economic growth in the previous year are corrected for in the current year. The significance of the ECM is an indication and a confirmation of the existence of a long run equilibrium relationship between Nigeria economic growth proxy by real gross domestic product (RGDP) and all the component of foreign direct investment.

The overall goodness of the model as shown by the adjusted coefficient of determination is 0.8168, which shows that about 82 percent of the variation experienced in the gross domestic product of Nigeria for the period being investigated may be explained by the independent variables of the component of FDI included in our model.

The F-statistic which measures the joint statistical influence of the explanatory variables in explaining the dependent variable was found to be statistically significant at 0.05 percent level. The F-statistic figure of 76.3752 shows that component of FDI is important determinants of Nigeria economic growth.

The value of Durbin Watson statistic is 2.0147 for the model. This implies that there is absence of autocorrelation among the explanatory variables in the model.

Summary of Findings, Conclusion and Policy Implications

This study has investigated the impact of components of inflow of FDI on Nigerian economy for the period which spanned between 1986 and 2009. The objectives of the study lies in the separation of the impact of FDI on economic growth in terms of sector and sub sectors of the Nigerian economy because most others studies examine the aggregate impact of FDI on the Nigeria economic growth. Most countries strive to attract Foreign Direct investment (FDI) because of its acknowledged advantage as a tool of economic development. Nigeria joined the rest of the world in seeking FDI as it help to arguments domestic resources of any economy to enhanced economic growth and development as evidenced by the kind of government policies intervention into the development of the economy.

An augmented growth model was estimated via the Ordinary Least Square (OLS) techniques to ascertain the relationship between FDI, its components and economic growth. The variables were tested for stationarity and co-integration analysis was also carried out using the Johansen co-integration techniques. Also error correction test was performed. The study found that components of FDI has a long run relationship with Nigeria economic growth and the country received highest inflow of FDI from Western Europe which is highly concentrated on the manufacturing and manning and quarrying sectors. FDI in manning and Quarry has direct and significant impact on Nigeria's economic growth. This finding confirms to the appriori expectation. This was attributed to oil sector as the main stained of the Nigeria export and the determinant of her budget performance.

FDI in telecommunication sector both in the current and previous period were also found to have direct and insignificant impact on Nigeria's economic performance. The positive nature of this variable indicates that this variable have the tendency to induced Nigeria economic performance given the vital importance of communication to business facilitation and overall economic development.

FDI in agricultural sector in the current period had inverse and insignificant impact on Nigeria economic growth. It's being negative and significant is a point to the fact that its effect on the economic is still very low, but an intensification of government and foreign investor to invest in this sector of the economy will lead to economic growth while the one year period lag had direct and significant effect on Nigeria economic performance. This implies that cumulative flow of FDI in agricultural sector has the capacity to induce the economic performance.

FDI in trading and business sector in the current period has direct and significant impact on Nigeria economic growth while one year period lag has direct and significant impact on Nigeria economic growth. A general assignment of the variable indicate that foreign direct investment in trading and business in the current period has not improve Nigeria economic output but commutative inflow of foreign investment in the sector has the ability to enhanced economic growth.

FDI in building and construction sector has direct and significant impact on Nigeria economic growth while FDI in other services sector has inverse and insignificant impact on Nigeria economic growth. The inverse and insignificant nature of FDI in other services Sector is as a result of persistent deficit in the service account which is attributable to the low investment in the shipping subsector by domestic entrepreneurs, non-compliance with global shipping policy as well as increased volume of business and private travel abroad by Nigerians. This causes deficit balance of payment, capital flight and reduces economic output.

Conclusively, the general lesson that emerges from this study is that continuous inflow of foreign direct in manning and quarrying, telecommunication, building and construction, trading and business and agricultural sectors has the tendency to induced Nigeria economic growth.

Based on the findings in this study and to induce the impact of components of FDI on the nation's economic growth and development, the following recommendations have been put forward:

Since foreign direct investment in manning and quarrying, telecommunication, building and construction, trading and business and agricultural sectors have the potentials to induce the growth in Nigeria's economy and there is the need to properly channel and integrate them into the mainstream of the economy.

Nigeria Agricultural sector needs FDI for its development. However, FDI inflows into this sector are highly restricted by the uncertainties associated with the Nigerian economy. Particularly important in this respect is policy uncertainty. There is therefore, the need for continuity and consistency in government policies directed specifically towards Agricultural sector.

Local content policy should be properly implemented in the other service sectors e.g. shipping subsector. This will encourage domestic entrepreneurs to form synergy with foreign investors to invest in this sector to minimize capital flight and to enable FDI in other service sectors to contribute positively to the growth and development of the Nigerian economy.

There is need for government to consciously improve the business environment to enable foreign direct investment to contribute positively to economic growth. One way to improve the business environment is by conscious provision of necessary infrastructure, which will lower the cost of doing business in Nigeria. The recent privatization of electric power holding company may be a step in the right direction if there is an improvement in the services provided.

Government should ensure that adequate macroeconomic policies that will open up the economy are put in place to encourage foreign direct investment inflow and make Nigeria an export platform, where export commodities could be manufactured for established international market; this will help to Strengthen Nigeria's Balance of Payment position (BOP).

There is need for proper financial market development. The financial sector should be deregulated. This would enable the sector to function properly, thus rising up to the challenge of building a strong, virile and competitive sector that would be able to meet the saving/investment needs of the surging business world. Finally, adequate machinery should be put in place by all sectors of government to arrest corruption and penalize those perpetrate it.

Agencies established to fight corruption such as Economic and Financial Crime Commission (EFCC) and Independent corrupt practices Commission (ICPC) should be seen to do their job to convince both foreigners and nationals that Nigeria is a safe place to invest in.

References

- Adelegan, J.O. (2000). Foreign direct investment and economic growth in Nigeria: A seemingly unrelated model. *African Review of Money, Finance and Banking*, Supplementary issue of Savings and Development, pp.5–25. Milan, Italy.
- Ahmad, N., Hayat, M. F., Luqman, M. and Ullah, S. (2012). The Causal Links Between Foreign Direct Investment and Economic Growth in Pakistan. *European Journal of Business and Economics*, 6:20-21.
- Akinlo, A.E. (2004). Foreign Direct Investment and Growth in Nigeria: An Empirical Investigation. *Journal of Policy Modelling*, 26: 627–39.
- Anyanwu, J.C. (1998). An Econometric Investigation of Determinants of Foreign Direct Investment in Nigeria. In *Investment in the Growth Process: Proceedings of the Nigerian Economic Society Conference 1998*, pp 219–40. Ibadan, Nigeria.
- Ariyo, A. (1998). Investment and Nigeria's economic growth. In *Investment in the Growth Process Proceedings of Nigerian Economic Society Annual Conference 1998*, pp. 389–415. Ibadan, Nigeria.
- Asiedu, E. (2003). Capital Controls and Foreign Direct Investment. *World Development*, 32 (3): 479–90.
- Athukorala, P. P. (2003). The Impact of Foreign Direct Investment for Economic Growth: A Case Study in Sri Lanka. 9th International Conference on Sri Lanka Studies Full Paper Number 092.
- Ayanwale, A.B. (2007). FDI and economic growth: Evidence from Nigeria. Final Report Presented to the African Economic Research Consortium, Nairobi.
- Ayanwale, A.B. and Bamire, A.S. (2001). The Influence of FDI on Firm Level Productivity of Nigeria's Agro/Agro-Allied Sector. Final Report Presented to the African Economic Research Consortium, Nairobi.
- Chete, L.N. (1998). Determinant of Foreign Direct Investment in Nigeria. Nigeria Institute of social and Economic Research (NISER) Ibadan. Monograph series No7
- Chimobi, O.P. and Igwe, O.L. (2010). Budget Deficit, Money Supply and Inflation in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*. 19(5):52-60.
- Cobb, C. W. and Douglas, P.H. (1928). A Theory of Production. *American Economic Review*, Vol.18.
- Danja, K. H. (2012). Foreign Direct Investment and the Nigerian Economy, *American Journal of Economics*, 2(3): 33-40.
- Ekpo, A.H (1997). Determinants of Foreign Direct Investment in Nigeria: Evidence from Time Series Data. *CBN Economic and Financial Review*, 35(1): 59-78.
- Eravwoke, K. E and Eshanake, S. J. (2012). Foreign Direct Investment Granger and Nigerian Growth. *Journal in innovative research in management and humanity*, 3(2):132-140
- Fasaya, I. O. (2012). Capital Flows- Growth Nexus in Nigeria: Has Foreign Direct Investment Played A Role in Accelerating Economic Growth? *Journal of Sustainable Development in Africa*, 14 (8): 34 – 54.
- Feldstein, M. (2002). Aspects of Global Economics Integration: Outlook for the Future. NBER working papers no 7899. (National bureau of economic research)

- Funke, N. and Nsouli, S.M. (2003). The New Partnership for Africa's Development (NEPAD): Opportunities and challenges. IMF Working Paper No.03/69. International Monetary Fund, Washington, D.C.
- Insah, B. (2012). Foreign Direct Investment Inflows and Economic Growth in Ghana, *International Journal of Economic Practices and Theories*, 3 (2): 115 – 121.
- Johansen, S. (1988). Statistical Analysis of Cointegrating Vectors. *Journal of Economic Dynamics and Control*, 12, 231- 54.
- Koojaroenprasit, S. (2012). The Impact of Foreign Direct Investment on Economic Growth: A Case Study of South Korea, *International Journal of Business and Social Science*, 3(21): 8 – 20.
- Lamine, K.M and Yang, D. (2010). Foreign Direct Investment Effect on Economic Growth: Evidence from Guinea Republic in West Africa. *International Journal of Financial Research*, 1(1): 49 – 54.
- Li and Liu (2005). Foreign Direct Investment and Economic Growth: An Increasingly Endogenous Relationship". *World Development*; 33 (3): 393-407.
- Lim. E. (2001). Determinants of and relationship between foreign direct investment and growth: A summary of recent literature. IMF Working Paper No.175. International Monetary Fund, Washington, D.C.
- Louzi , B. M. and Abadi, A. (2011). The Impact of Foreign Direct Investment on Economic Growth in Jordan, *IJRRAS* 8 (2): 253 – 258.
- Mankiw, G.N., Romer, D. and Weil ,D.N. (1992). A contribution to the empirics of growth. *Quarterly Journal of Economics*, 107: 407–37.
- Niazi, G, S. (2011). Does an Inflation and Growth of a country affect its Foreign Direct Investment? *Journal of Management, Economics & Finance*, 84-90.
- Ogbanje, E C, Okwu, O. J and Saror, S.F. (2010) An Analysis of Foreign Direct Investment in Nigeria: The Fate of Nigeria's Agricultural Sector. *PAT* December 2010; 6 (2): 15-25. Online copy available at www.patnsukjournal.net/currentissue
- Okon, U. O., Augustine, O. J. and Chuku, A. C (2012). Foreign Direct Investment and Economic Growth in Nigeria: An Analysis of the Endogenous Effects. *Current Research Journal of Economic Theory* 4(3): 53-66
- Olukemi, L.I. (2009). Human Capital Investment and Economic Development in Nigeria: The Role of Education and Health. A Paper Presented at Oxford Business and Economics Conference Program. June 24-26, 2009.
- Opaluwa, D; Umeh, C and Ameh, A. (2012). The Effect of Exchange Rate Fluctuations on the Nigerian Manufacturing Sector. *African Journal of Business Management*, 4(14): 2994-2998
- Otepolo, A. (2002). FDI as a Factor of Economic Growth in Nigeria. Dakar, Senegal: African Institute for Economic Development and Planning (IDEP) May. Available on line from idep@unidep.org, <http://unidep.org>.
- Ray, S. (2013). Impact of Foreign Direct Investment on Economic Growth in India: A Co integration Analysis, *Advances in information Technology and Management (AITM)*, 2 (1): 187 – 201.
- Saqib, N., Masnoon, M and Rafique, N. (2013). Impact of Foreign Direct Investment on Economic Growth of Pakistan, *Advances in Management and Applied Economics*, 3(1): 35-45

- Sola, O. (2009). Public Investment and Economic Growth in Nigeria: An Autoregressive model. Economic policy Review. July- September 2009.
- Solow, R. M. (1956), 'A contribution to the theory of economic growth', Quarterly Journal of Economics, 70:65-94.
- Sukar,A., Ahmed,S. and Hassan,S. (2003). The Effects of Foreign Direct Investment on Economic Growth: The Case of Sub-Sahara Africa. Southwestern Economic Review.
- Thirlwall, A.P. (1994).Growth and Development.5th Edition, Macmillan, London.
- UNCTAD (2003). World Investment Report. Geneva: United Nations Conference on Trade and Development.
- Wafure, O. G. and Abu, Nurudeen, A. (2010). Determinants of Foreign Direct Investment in Nigeria: An Empirical Analysis, Global Journal of Human Social Science. Vol. 10 Issue 1: 26 – 34.
- World Bank. (1996). World Debt Tables: External Finance for Developing Countries, Vol. 1 (Analysis and Summary Tables). Washington, D.C.: The World Bank.
- Yaqub, J.O. (2010). Exchange rate changes and output performance in Nigeria: A sectorial Analysis. Pakistan Journal of social sciences.7 (5): 12-19.

Appendix A: Sectoral Composition of Fdi in Million and Percentage in Nigeria (1986 - 2009)

years	FDI in Manuf. Sector # million	% share of total FDI	FDI in telecom. # million	% share of total FDI	FDI in other service sector # million	% share of total FDI	FDI in agric. Sector # million	% share of total FDI	FDI in trading & Bus. Sector # million	% share of total FDI	FDI in oil sector # million	% share of total FDI	FDI in building & constr. # million	% share of total FDI
1986	2810.2	30.2	80.4	0.9	529.8	5.7	128.2	1.4	2,753.0	29.6	2,510.4	27.0	501.6	5.4
1987	3122.3	31.2	75.6	0.8	559.1	5.6	117.3	1.2	3,396.5	34.0	2,260.2	22.6	462.6	4.6
1988	3637.0	32.1	160.6	1.4	383.3	3.4	128.9	1.1	3,133.7	27.6	3,403.0	30.0	492.7	4.3
1989	5406.4	49.6	158.2	1.5	584.7	5.4	134.8	1.2	3,497.2	32.1	636.7	5.8	481.8	4.4
1990	6339.0	60.7	240.5	2.3	(23.7)	(0.2)	334.7	3.2	1,710.4	16.4	1,091.6	10.5	743.6	7.1
1991	8692.4	71.0	373.2	3.0	682.0	5.6	382.8	3.1	1,452.2	11.9	(810.0)	(6.6)	1,471.6	12.0
1992	9746.3	47.5	391.5	1.9	682.2	3.3	386.4	1.9	1,482.5	7.2	6,417.2	31.3	1,406.6	6.9
1993	12885.	19.3	426.4	0.8	22,638.0	33.9	1,214.9	1.8	1,864.5	2.8	27,686.9	41.5	71.2	0.1
1994	14059.	19.9	429	0.6	24,38	34.	1,20	1.7	2,24	3.2	26,68	37.	1,70	2.4

			.6		1.1	5	8.5		7.6		0.0	7	7.0	
1995	27668.	23.2	374 .8	0.3	28,84 8.0	24. 2	1,20 9.0	1.0	2,99 0.7	2.5	56,74 7.3	47. 5	1,55 3.0	1.3
1996	29814.	24.3	485 .6	0.4	28,76 6.7	23. 5	1,20 9.0	1.0	3,66 8.7	3.0	56,79 2.3	46. 3	1,86 4.3	1.5
1997	31297.	24.4	672 .6	0.5	31,04 6.2	24. 2	1,20 9.0	0.9	3,62 5.7	2.8	59,22 1.4	46. 2	1,25 9.8	1.0
1998	34503.	22.6	689 .2	0.5	41,68 9.5	27. 4	1,20 9.0	0.8	10,4 60.5	6.9	59,97 0.5	39. 3	3,88 8.3	2.6
1999	36282.	23.5	820 .3	0.5	42,10 0.4	27. 3	1,20 9.0	0.8	10,9 27.3	7.1	58,85 5.4	38. 2	3,99 5.9	2.6
2000	37333.	23.7	820 .3	0.5	42,23 7.6	26. 8	1,20 9.0	0.8	11,2 01.3	7.1	60,71 0.9	38. 5	3,99 5.9	2.5
2001	37779.	23.5	955 .3	0.6	43,65 7.6	27. 0	1,20 9.0	0.7	12,0 16.3	7.4	61,61 1.9	38. 3	4,21 1.9	2.6
2002	39953.	24.0	1,7 36. 3	1.0	45,50 9.6	27. 3	1,20 9.0	0.7	12,3 17.3	7.4	61,61 1.9	37. 0	4,29 3.9	2.6
2003	45719.	256	2,8 90. 5	1.6	49,05 6.5	27. 5	1,20 9.0	0.7	14,4 57.3	8.1	61,80 9.1	34. 6	4,54 5.8	2.5
2004	102995	41.3	4,2 81. 1	1.7	53,57 1.2	21. 5	1,20 9.0	0.5	20,2 42.4	8.1	62,14 5.7	24. 9	5,19 4.1	2.1
2005	133894	41.1	5,5 65. 4	1.7	69,64 2.6	21. 4	1,20 9.0	0.5	26,3 15.1	8.1	80,78 9.4	24. 8	6,71 3.3	2.1
2006	212729	44.2	8,2 91. 0	1.7	102,7 80.0	21. 4	- -	- -	41,3 09.3	8.6	105,6 68.4	22. 0	10,4 61.1	2.2
2007	219512	39.7	10, 758 .2	1.9	129,2 77.1	23. 6	1,32 9.9	0.2	47,5 05.7	8.6	132,0 85.5	23. 9	12,0 30.2	2.1
2008	155938	39.0	799 6.8	2.0	99960 .5	25	199 9.2	0.5	3198 7.3	8.0	91963 .6	23	9999 6.0	2.5
2009	174302	39.5	132 38. 1	3.0	12355 6.0	28	264 7	0.6	3309 5.3	7.5	85606 .6	19. 4	8825 .4	2.0

Sources:

CBN: Annual Reports and Statement of Accounts.

CBN: Statistical Bulletin (various issues).

Appendix B: Cumulative Foreign Direct Investment in Nigeria from Selected Countries (N-m)

Year	UK	% Distr.	US	% Distr.	West Europe	% Distr	Others	% Distri	Ground Total	Total % Distri
1986	5,073.9	52.8	1,381.5	14.8	1,828.9	19.6	1,029.3	11.1	9,313.6	100
1987	5,508.1	54.5	1,198.5	12.0	2,053.4	20.5	1,233.6	12.3	9,993.6	100
1988	4,724.9	55.1	2,734.8	24.1	2,512.8	22.2	1,366.7	12.1	11,339.2	100
1989	6,254.3	41.7	642.8	5.9	2,440.6	22.4	1,561.9	14.3	10,899.6	100
1990	6,828.6	57.4	209.3	2.0	1,509.7	14.5	1,888.5	18.1	10,436.1	100
1991	7,247.6	65.4	-826.7	-6.8	2,840.1	23.2	2,982.3	24.4	12,243.5	100
1992	7,808.0	59.2	6,010.1	29.3	3,587.1	17.5	3,107.4	15.1	20,572.7	100
1993	11,441.3	38.1	12,051.8	18.0	39,445.8	59.0	3,848.1	5.4	66,787.0	100
1994	12,578.0	17.1	13,439.4	19.0	39,178.4	55.4	5,518.8	7.8	70,714.6	100
1995	15,794.1	17.8	18,482.9	15.5	77,463.4	64.9	7,651.3	6.4	119,391.6	100
1996	16,988.9	13.2	18,673.2	15.2	78,712.7	64.5	8,226.2	6.7	122,600.9	100
1997	17,221.5	13.9	22,442.0	17.5	80,150.3	62.4	8,518.2	6.8	128,331.8	100
1998	31,367.9	25.6	21,573.6	14.2	82,279.2	54.0	17,171.8	1.3	152,409.6	100
1999	32,603.8	21.1	20,084.1	13.0	83,558.3	54.2	17,942.7	11.6	154,188.6	100
2000	32,779.3	20.8	21,939.6	13.9	84,466.1	53.6	18,350.4	11.7	157,535.4	100
2001	35,452.3	22.0	22,626.6	14.1	86,175.1	52.5	19,089.4	11.8	162,343.4	100
2002	36,841.4	22.1	22,446.9	13.5	86,324.4	51.8	21,818.9	12.6	166,631.6	100
2003	41,765.6	23.4	25,364.8	14.2	88,287.9	59.5	23,059.7	12.6	178,478.0	100
2004	48,972.1	19.7	28,350.9	11.4	91,352.2	36.7	80,545.4	32.4	249,220.6	100
2005	58,218.2	21.6	32,087.5	11.9	95,018.1	35.2	84,520.9	31.3	269,844.7	100
2006	73,012.0	24.1	38,66.0	12.6	100,883.5	33.3	90,881.8	30.0	302,843.3	100
2007	87,614.4	24.1	46,440.5	12.8	119,077.8	32.7	110,875.8	30.5	364,008.5	100
2008	100,030.7	25.2	50,786.6	12.8	124,077.3	31.2	122,500.6	30.8	397,395.2	100
2009	108,149.1	24.5	68,717.1	15.6	131,245.4	29.7	133,159.7	30.2	441,271.0	100

Sources: Central Bank of Nigeria Statistical Bulletin value 18: 2009