

**ECONOMIC GROWTH AND FDI NEXUS IN NIGERIA: A NEW EVIDENCE**

Godson Umunna Nwagu

*Department of Economics, University of Nigeria, Nsukka, Nigeria*

Anthony Orji

*Department of Economics, University of Nigeria, Nsukka, Nigeria*

Duru Erasmus Ejike

*Department of Financial Management Technology/ Entrepreneurship  
Federal University of Technology Owerri, Imo State. Nigeria*

Onyinye I. Anthony-Orji<sup>1</sup>

*Department of Economics, University of Nigeria, Nsukka, Nigeria*

Nwachukwu Timiohy C

*Department of Accountancy, Imo State Polytechnic Omuma, Nigeria*

Njoku Peter C.

*Department of Economics, Abia State University Uturu, Nigeria.*

Ifurueze Priscilla C.

*Department of Banking and Finance, Tansian University Umunya Anambra State*

**Abstract**

This study examined the relationship between foreign direct investment and economic growth in Nigeria from 1981 to 2021 as well as the effects of FDI on economic growth in Nigeria. A linear model and an autoregressive distributed lag model were used for estimation. Many of the variables were stationary at the first difference I(1), whereas foreign direct investment and inflation were stationary at level I(0). This study showed that foreign direct investment, real gross domestic product, trade openness, inflation, exchange rate, and education (human capital) exhibit a long-run relationship. The results of this study also indicate that foreign direct investment affects a nation's economic growth positively and significantly. The study concludes that, the Nigerian government should develop arrangements to draw foreign direct investment to all sectors of the economy, primarily service and manufacturing. In addition to improving infrastructure and goods production, the country should also increase its educational policy and work ethic to build human capital. Furthermore, the Nigerian government should devise arrangements for attracting foreign direct investment, primarily in the service and manufacturing sectors. It should also improve its infrastructure, production of goods, and education policy to increase its human capital stock.

Keywords: Foreign Direct Investment, Economic growth, ARDL

JEL Classification: F35, O40, O47

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<sup>1</sup>Corresponding Author

## 1 Introduction

Foreign direct investment refers to an investment by an entity from another country in a business in a specific nation. In FDI, new facilities are built, profits from abroad tasks are reinvested, and intercompany loans are made (Ogbuabor, et al 2020 and Orji et al 2019). Open economies often attract foreign direct investments due to their talented workforce and development opportunities for financial specialists that are higher than expected. Additionally, it may include management or technology provisions, in addition to capital (Orji et al, 2021). International monetary fund (IMF, 1993) and Organisation for Economic Cooperation and Development (1996) indicate that direct investment refers to an inhabitant substance from one economy (a direct investor) investing in an endeavor occupying another economy (the direct enterprise). A direct investment occurs when a foreign individual or organization needs to control, oversee, or impact a foreign enterprise directly. A growing number of developing nations have been attracting considerable and rising measures of foreign direct investment for over two decades. There are various channels through which foreign direct investment can benefit the economy in most economic theories

Foreign direct investment is widely recognized by policymakers throughout the world to increase productivity and improve economic growth and development. Foreign direct investment acknowledges positive externalities through the acquisition of technology and specialized skills through the appropriation of foreign capital (Alfaro, Chanda, Kalemli-Ozcan, Sayek, 2006). According to the Asian Development Outlook (ADB, 2004), FDI has been significantly expanding due to a variety of factors, such as rapid innovation, the rise of international production and marketing networks, bilateral investment treaties, multilateral development banks proposals, and positive evidence from developing nations.

Nigeria's economy is driven by the energy sector. The country is one of the largest oil-producing nations in Africa (World Bank, 2010). The Economic Intelligence Unit (EIU, 2010) predicts modest oil sector growth and stronger non-oil performance will support Nigerian economic growth. Nigeria's real GDP is projected to grow from 5.4% in 2009 to 6.2% in 2010, surpassing the world averages of 3.6% and 3.5%. Stock foreign direct investment inflows reached a record US\$83 million in 2008 and have since increased (FDI net, 2010).

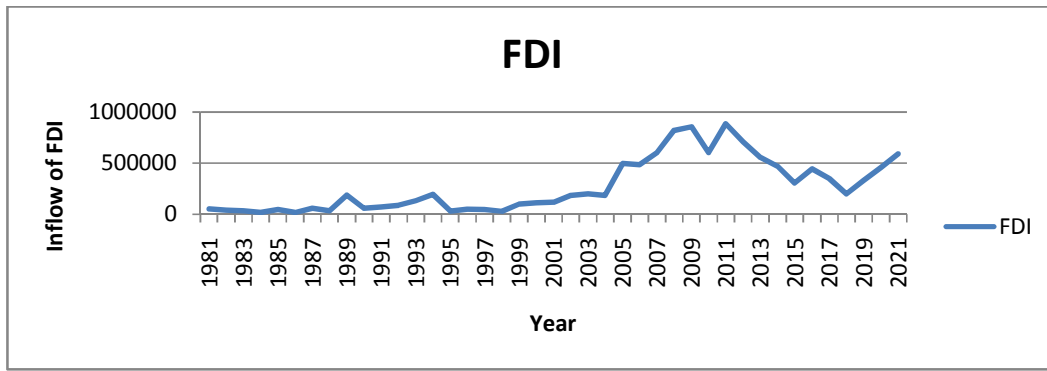
In their various studies, researchers have investigated inward foreign direct investment's contribution to the development of developing countries, including West African countries and Sub-Saharan African countries, where FDI now serves as a primary means of private external finance. A developing nation like Nigeria has been able to transform innovation and capital from other developed and developing countries into household economies by attracting foreign direct investment. By using innovation, experience, and production methods, Melnyk, Kubatko, and Pysarenko (2014) argue that firms receiving foreign direct investment (in explicit businesses) benefit from the investment. In addition, Melnyk, Kubatko, and Pysarenko (2014) claim that foreign direct investment helps a country's human capital development, capital formation, and organization.

In Umah (2007), the reforms led to a liberal and market-oriented economic policy, greater participation of the private sector, and the elimination of bureaucratic obstacles to private investment. The aim is to encourage foreign multinational corporations and other private investors in some strategic sectors of Nigeria's economy, such as the oil industry, the banking industry, and the communication industry.

The Nigerian government has organized different organizations, policies, and laws aimed at encouraging foreign direct investment, for instance, in 1995, the Nigeria Investment Promotion Commission (NIPC) was set up by Decree No 16 of 1995, according to Umah (2007). Nigeria Enterprise Promotion Decree (NEPD) of 1972 and Industrial Development Coordination Committee (IDCC) Degree No. 36 of 1998 were canceled to ensure legitimate protection. In spite of this, Dunning (1994) noticed that FDI was brought in to expand Nigeria's domestic resources and raise its standard of living.

It was during the 1970s and 1980s that a few sub-Saharan African countries, particularly Nigeria, forced trade restrictions and capital controls as part of a strategy to ensure local industries and maintain foreign exchange reserves through import-replacement industrialization. Improvements in economic policies are expected to boost macroeconomic performance and bring the United Nations Millennium Development Goals closer to reality (Akanegbu and Chizea, 2017). The diagram underneath shows the Foreign Direct Investment in Nigeria from 1981 to 2021

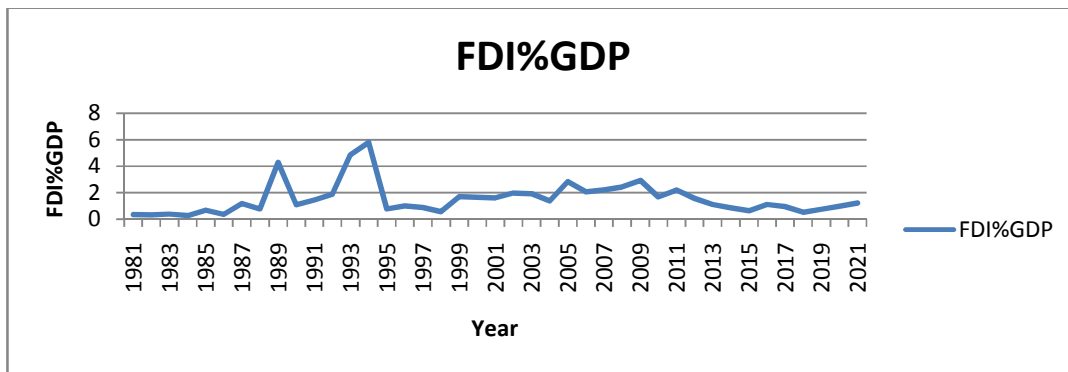
**Fig 1. Inflow of Foreign Direct Investment in Nigeria. (Million/Billion Naira)**



Source: Authors' computation from CBN 2021

From fig 1 above, it can be seen that the inflows of foreign direct investment in Nigeria has been rising and falling over time. From 1981 to 2004 the inflows of FDI increase from 542 million naira to 1,847 billion naira. From 2005 to 2011 the inflows also increase from 4,982 billion to 8,841 billion. In 2012 the FDI start experiencing a fall, it fell from 7, 069 billion in 2012 to 3, 137 billion in 2015 and later raised to 4, 445 billion in 2016 and fall again in 2017 to 3,497 billion. In 2019 it was 3,299 billion and increase to 5, 9022 billion in 2021

Fig 2, Foreign direct investment as a percentage to GDP in Nigeria.



Source: Authors' computation from WDI 2021

Fig 2 above shows foreign direct investment as a percentage to GDP in Nigeria. From the figure above, the percentage has been increasing and decreasing. From 1981 to 1989, it increases from 0.9% to 7.8% and latter fell to 3.2% in 1992. From 1993 to 1994 there was a tremendous increase to 10.8%. In 1995 the percentage of FDI to GDP starts experiencing a fall. From 1995 to 2004 it fell from 3.4% to 2.1% and latter increase to 4.4% in 2005. In 2009 the percentage raise again to 5% and from that time it fell to 0.9% in 2017 and finally increase to 1.2% in 2021.

FDI is frequently credited with being a significant source of capital, supplementing household investment, creating jobs, and enhancing technology transfer, which promotes economic growth. However, macroeconomic studies support the positive FDI-growth linkage in specific environments (Egbo, 2010). Furthermore, empirical examinations support the assertion that Foreign Direct Investment significantly improves host nations' economies. According to Mansfield and Romeo (1980), FDI's innovation accompanies it is more advanced than the product sold by authorization. The results of other studies were also conflicting. Foreign Direct Investment is often sparked by economic growth, not the other way around, in certain instances.

There are many deficiencies in Nigeria's economy, which limit sustainable growth and poverty reduction. Partially diversifying exports, production, and budget revenue is one of the problems. In Nigeria, underdevelopment can be described by poor infrastructure quality and a lack of infrastructure in the power sector. Having bad roads in Nigeria increases operating costs and hinders the flow of trade in the country. Poor governance and dysfunctional political institutions are also problems Nigeria faces. These shortcomings reduce the efficiency of any development and strategy and are partly responsible for West Africa's past poor performance. Financial and debt crises in Nigeria have burdened the economy, making domestic savings difficult. In order to have a high investment-to-gross domestic product ratio, a country must be able to increase its savings rate (Akanegbu and Chizea, 2017).

Inflows of foreign direct investment are hindered by political instability in Nigeria. The area is politically unstable due to frequent wars, military interventions in politics, and religious conflicts. In addition to macroeconomic instability, high rates of crashes and inflation, and unreasonable spending shortfalls, Nigeria also faces these issues. There is a general tendency for nations with high inflation to attract fewer FDI (Onyeiwu and Shrestha, 2004). A lack of policy transparency makes identifying explicit government policies difficult. Foreign investment motivations are reduced by economic policy irregularities that increase transaction costs. In terms of business compliance, Nigeria is better than most sub-Saharan African countries, according to the World Bank (2010).

Nigeria's frequent electricity shortages, the high cost of transportation, and the lack of financing hinder FDI inflows. Most Nigerian companies lose 13% of their working time due to electricity power cuts, while other regions suffer only one percent. Labor costs are higher

than the other regions at the same GDP level, as are transport costs. Despite Nigeria's huge investment potential, it is poorly integrated into the global economy.

FDI and economic growth have been the subject of contention and significant study for decades. Globalization of the global economy and a growing recognition that multinational corporations play a significant role in trade, capital accumulation, and economic growth have greatly revived interest in the field. As a contribution to the literature, this study examines how foreign direct investment impacts economic growth in Nigeria with the recent changes in data. The paper is organized as follows, except for the introduction: Section 2 reviews the related literature. Methodology is shown in Section 3. Section 4 presents the results, and section 5 discusses them. 6. Policy recommendations.

## **2 Literature review**

### **2.1 Theoretical Literature**

In the big push theory, underdeveloped countries must invest heavily to overcome backwardness and dispatch on economic development. Small investment programs will have little impact on the growth process and will only lead to resource dispersal. The Massachusetts Institute of Technology study Rosenstein-Rodan cites favorably suggests a development program needs a basic degree of resources to have any chance of succeeding.

Harrod-Domar's two-gap model is an extension. By presenting foreign exchange and rethinking the model, the second gap is found, such as the savings gap, where local reserves are insufficient to cover the growth potential given import purchasing power and different resources and foreign exchange gap, if import purchasing power provided by export values plus capital transfers is insufficient to help the degree of growth allowed. Based on the two-gap theory, investment and development are limited by either domestic savings or import purchases.

A neoclassical theory of economic growth developed by Robert Solow and J.E. Meade considered capital and labor as determinants of yield, with innovation being added exogenously to production (Solow and Swan, 1957). It makes use of the variable extent generation work, much like the fixed extent capacity of the Harrod-Domer model of monetary development, to consider boundless potential outcomes of the substitution of capital for work. Instead of assuming that innovation is exogenous, endogenous development theory expressly attempts to demonstrate innovation. Innovation advances are most

commonly responsible for financial development, which is the capacity of monetary associations to use their profitable assets more effectively after some time. Many of these capacities arise from learning how to work newly made creation offices more effectively (Verbeck: 2000).

## 2.2 Empirical Literature

Foreign direct investment and economic growth (FDI-EG) over 30 years was examined in Wang, Xu, Qin &Skare (2022). Technology and firm performance are key topics, as well as research modeling. The article offers insights into FDI-EG research from a bibliometric and review perspective. A study by Keita &Baorong (2022) examined foreign direct investment and economic growth in Guinea between 1990 and 2017. Long-run FDI affects Guinea's economic advancement at a 1% significant level negatively, and short-run FDI affects Guinea's gross domestic product positively. Using the Auto Regressive Distributed Lag (ARDL) model, Kuku, Mensah &Sena (2021) analyze the impact of foreign direct investment and institutions on economic growth in Ghana from 1995 to 2019. Both short- and long-term effects of FDI and quality institutions on a country's economic growth are significant compared to their individual effects.

With the aid of the augmented autoregressive distributed lag (augmented ARDL) bounds test approach and Granger causality, Khan &Sarker (2020) explored the causal link between foreign direct investment and economic growth in Bangladesh between 1972 and 2017. A long-run relationship was found between FDI and GDP. Awe (2013) examined the impact of foreign direct investment on economic growth during 1976-2006 using the two-stage least squares method (2SLS). Nigerian economic growth (GDP) and foreign direct investment have a negative relationship.

Li and Liu (2005) examined the effect of FDI on economic growth using Panel data for 84 nations. In developing nations, FDI communicates with human capital, positively affecting economic growth. Nwankwo et al (2013) assert that foreign direct investment has been of great benefit to Nigeria in terms of employment, technology transfer, and entrepreneurship. According to Alejandro (2010) and Ewe-Ghee Lim (2011), foreign direct investment plays a significant role in the economy and gives firms a new market, new advertising channels, and new technologies, as well as positive externalities and overflows that can promote economic growth. As well as Ndambendia&Njoupougnigni (2010), Seetanah&Khadaroo (2007)

compared FDI and economic growth in 39 sub-Saharan African nations. In both studies, panel data was used to determine whether FDI positively impacts economic growth.

In 2014, Almfraji&Almsafir (2014) reviewed the literature on FDI and economic growth. Generally, they found a positive correlation between foreign direct investment and growth in the economy, however negative in some cases. A panel data set covering 61 Vietnamese provinces was used by Anwar and Nguyen (2010) to examine foreign direct investment and economic growth. Vietnam's FDI and economic growth are linked in a two-way process based on the simultaneous equation model. According to Azman-Saini, Bagarumshah& Law (2010), FDI and economic growth are linked by studying 85 countries. As a result of GMM, the study found that FDI by itself cannot positively impact growth. According to Ocaya, Ruranga, and Kaberuka (2013), the inflow of FDI into Rwanda impacts its growth. They reveal that they are independent of each other.

The gap here is that deeper policy insight can be gained from the investigation as propose in the study. This study will also add to literature by investigating foreign direct investment (FDI) on economic growth in Nigeria with different variables,with the recent changes and adding of data's in recent time from 1981 to 2021 with the use of Autoregressive distributed model (ARDL).

**3 Methodology**

Capital and labour were the determinants of output in the neoclassical growth model, with technology as an exogenous determinant. For economic development, the neoclassical growth theory believes the accumulation of capital and its use in an economy are imperative. By utilizing neoclassical development, an economy can be quantified in terms of its development and harmony.

$$Y = AF(K, L).....(3.1)$$

Where Y denote an economy's gross domestic production (GDP), k represents its share of capital, L describes the amount of labour in an economy and A denotes the level of technology. Because of the relationship between labour and technology, the production function of an economy will be written as

$$Y = F(K, AL).....(3.2)$$

**3.1ARDL MODEL**



As a co-integration technique, autoregressive distributed lag (ARDL) determines the long-term and short-term relationships among variables. We use ARDL regardless of the order of integration, whether the variables are pure I(0) or I(1)

The basis form of an ARDL (Bound test) regression model is as follows

$$y_t = S_0 + S_1 y_{t-1} + \dots + S_p y_{t-p} + \Gamma_0 x_t + \Gamma_1 x_{t-1} + \Gamma_2 x_{t-2} + \dots + \Gamma_q x_{t-q} + v_t \dots \dots \dots (3.3)$$

Where  $v_t$  is a random disturbance term, and p and q are the lag lengths

The error correction form of equation (3.5) is as follows

$$\Delta y_t = r_0 + \sum_{i=1}^p r_i \Delta y_{t-i} + \sum_{j=0}^q s_j \Delta x_{1t-j} + \sum_{k=0}^q x_k \Delta x_{2t-k} + w_0 y_{t-1} + w_1 x_{1t-1} + w_2 x_{2t-1} + v_t \dots \dots \dots (3.4)$$

**3.2 Model Specification**

**Model One: To investigate the effect of foreign direct investment on economic growth in Nigeria.**

$$Growth = f(FDI, TOP, REXR, INF, EDU) \dots \dots \dots (3.5)$$

Where RGDP = Real Gross Domestic Product/Growth

- FDI = Foreign Direct Investment
- REXR = Real Exchange Rate
- TOP = Trade Openness = (EXP+IMP/GDP)
- INF = Inflation
- EDU = Education (proxy for Human Capital)

The data generating process for equation (3.7) is defined in econometric from as

$$RGDP_t = r_0 + \sum_{t=i}^p r_{1i} \Delta RGDP_{t-1} + \sum_{t=i}^p r_{2i} FDI_{t-1} + \sum_{t=i}^p r_{3i} \Delta REXR_{t-1} + \sum_{t=i}^p r_{4i} \Delta TOP_{t-1} + \sum_{t=i}^p r_{5i} \Delta INF_{t-1} + \sum_{t=i}^p r_{5i} \Delta EDU_{t-1} + s_1 RGDP_{t-1} + s_2 FDI_{t-1} + s_3 REXR_{t-1} + s_4 TOP_{t-1} + s_5 INF_{t-1} + s_6 EDU_{t-1} + v_t \dots \dots (3.6)$$

**Mode Two: To establish whether there is a causal relationship between foreign direct investment and economic growth in Nigeria.**

$$RGDP_t = \sum_{i=1}^p \gamma_i FDI_{t-i} + \sum_{j=1}^p \delta_j RGDP_{t-j} + \epsilon_{1t} \dots (3.7)$$

$$FDI_t = \sum_{i=1}^p \beta_i FDI_{t-i} + \sum_{j=1}^p \alpha_j RGDP_{t-j} + \epsilon_{2t} \dots (3.8)$$

**3.3 Diagnostic Test**

**Test of Unit Root**

Dickey Fuller (1979) proposes the accompanying regression condition that will be utilized for testing for the nearness of the unit root.

$$\Delta y_{t-1} = \gamma_0 + \alpha y_{t-1} + \epsilon_t \dots (3.9)$$

Dicky and Fuller broadened their test method recommending an augmented version of the test which remembers extra lagged terms of the dependent variable for request to dispose of autocorrelation. The conceivable type of the ADF is given by the following equation.

$$\Delta y_t = a_0 + \alpha y_{t-1} + a_2 t + \sum_{i=1}^p \delta_i \Delta y_{t-1} + \epsilon_t \dots (3.10)$$

From the stationary test if the variables are significant, the variable series is stationary and with no unit root. As a result of the significant test, the null hypothesis will be accepted. The hypothesis for this study is as follows:

H0: =0 (Present of unit root/non-stationary exist)

H0: 0 (no present unit root/stationary exist)

**Co-integration Test (Bounds Testing Approach of Person et al 2001)**

When compared with other co-integration methods, ARDL Bounds has three advantages. As long as premium variables are integrated of I(0), I(1), or partially integrated, there is no need for all factors under investigation to be integrated of a similar order. Due to small or finite sample sizes, the ARDL test is moderately productive, and lastly, it provides unbiased evaluations over much longer periods of time (Harris and Sollis, 2003).

**Stability Test**

To test for parameter stability, we use the Pesaran and Pesaran (1997) test. A short-run element is fundamental for testing the soundness of a long-run coefficient, Pesaran and Pesaran (1997) indicate. Broen et al (1975) suggested applying the cumulative sum of recursive residuals (CUSUM) and CUSUM square (CUSUMSQ) tests.

#### 4 Presentation of Result

##### 4.1 Unit Root Test

The below table will shows the Augmented Dickey Fuller unit root test and will carried by 5%.

**Table 4.1**

Variables	ADF t-Stat	1% level	5% level	10% level	Prob	Order of Integration
RGDP	-6.583372	-4.252879	-3.548490	-3.207094	0.0000	I(1)
FDI	-3.640912	-4.273277	-3.557759	3.212361	0.0419	I(0)
TOP	-6.141645	-4.243644	-3.544284	-3.204699	0.0001	I(1)
INF	-3.836192	-4.252879	-3.548490	-3.207094	0.0266	(0)
EXR	-3.806026	-4.243644	-3.544284	-3.204699	0.0281	I(1)
EDU	-5.584465	-4.243644	-3.544284	-3.204699	0.0003	I(1)

From the unit root test above, it can be seen that the order of integration conform to that of the requirement of the Auto-regressive distributed lag model (ARDL). Real gross domestic product (RGDP), Trade Openness (TOP), Exchange rate (EXR) and Education (EDU) are integrated of order one, it means that this variables are stationary at first difference. While Foreign direct investment (FDI) and Inflation (FDI) are integrated of order zero, I(0), it means that this variables are stationary at level difference. As a result of these we proceed to test for co-integration test (ARDL Bound test).

#### 4.2: To investigate the effect of foreign direct investment on economic growth in Nigeria.

**Table 4.2**

Dependent Variable: LogGDP

Variable	Coefficient	Std.Error	t-Statistic	Prob
C	-3.136603	1.017332	-3.083166	0.0040
logFDI	0.441451	0.016764	26.33336	0.0000
TOP	-0.110006	0.068950	-1.595433	0.1199
INF	-0.001428	0.001079	-1.323676	0.1944
EXR	-3.56E-05	3.42E-05	-1.039301	0.3060
log(EDU)	0.781960	0.205977	-3.796354	0.0006
Adj R-squared	0.949731			
F-statistic	148.3647			
Durbin-Watson	1.531183			

From the above regression result, it can be seen that Foreign Direct Investment (FDI) and Education (EDU) (Human capital) have positive and significant effect on Economic growth in Nigeria, while Trade Openness, Exchange rate, and Inflation are negative and insignificant to Economic growth of Nigeria. Therefore a percentage change in foreign direct investment will bring about 0.44% increase in Real gross domestic product (Economic growth) and a percentage change in Human capital (Education) will bring about 78% increase in Economic growth of Nigeria. The R-Square also has a 94% goodness of fit of all variables. The Durbin-Watson statistic shows 1.531183, which indicate that there is no autocorrelation or serial correlation in the result.

#### **4.3: To establish whether there is a causal relationship between foreign direct investment and economic growth in Nigeria.**

##### **Co-integration Test- ARDL Bounds Test**

##### **4.3 Normality Test**

Component	Jarque-Bera	Df	Prob
1	0.930929	2	0.6278
2	0.279978	2	0.8694
3	2.461679	2	0.2920
4	10.59819	2	0.0050
5	9.921327	2	0.0070
6	4.208681	2	0.1219

Joint	28.40078	12	0.0048
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From the above normality test, it can be seen that the JB from the table is 28.40078 and the probability is 0.0048 which is less than 5% (0.05). it can be confirmed that the variables are normal to continue the test for long –run relationship (co-integration test) with the use of wald test

#### 4.4Serial residual test

**Table 4.4**

Lags	LM-Stat	Prob
1	39.34570	0.3225
2	36.92857	0.4258
3	50.05289	0.0599
4	44.68688	0.1518
5	50.70218	0.0529
6	58.48876	0.0103

The serial independent result looks more satisfactory

#### 4.5Hetroskedasticity Test

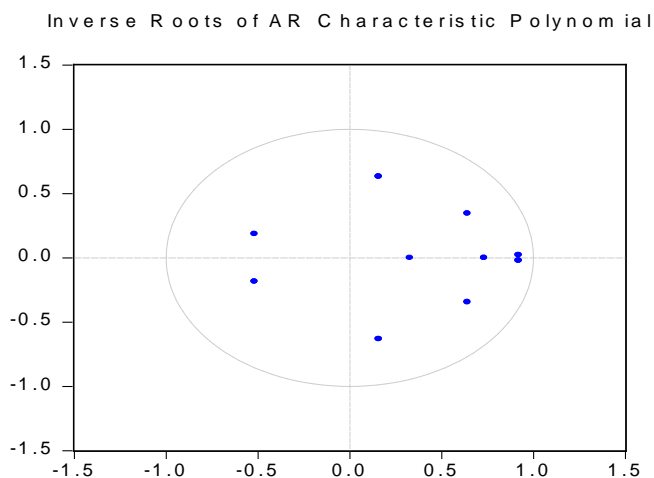
**Table 4.5**

Heteroskedasticity Test: Breusch-Pagan Godfrey

F-statistic	0.794981	Prob.F(12,22)	0.6516
Obs*R-squared	10.58638	Prob.Chi-Square(12)	0.5647
Scaled explained	4.850130	Prob.Chi-Square(12)	0.9628

From the above result, the Prob.Chi-Square of the Obs\*R-Sqaure is seen to be 0.5647 which is above or higher that 0.05(5%). It means there is no presence of hetroskedasticity.

#### 4.6 Stability Test



All seems to be well. These roots are all inside the unit circle. It means that the variables are stable.

**4.7 Wald Test**

Test Statistic	Value	Df	Probability
F-statistic	5.191249	(5,22)	(0.0027)
Chi-Square	25.95625	5	0.0001

**Table 4.8 : F-statistics for testing the existence of long-run relationship**

Model	F-statistics
RGDP=f(FDI, TOP, INF, EXR, EDU)	5.191249

Critical Value	Lower Bound	Upper Bound
1%	3.725	5.163
5%	2.787	4.015
10%	2.458	3.647

From the above tables, the F-Statistical > Critical upper bound in both 10%, 5% and 1% significant level, therefore there exist a long run co-integration relationship among climate change and agricultural production and economic growth.

## 5 Findings and Discussion

This study made some findings that are interesting after test for the effect using the Ordinary least square to the positive or negative effect of foreign direct investment to growth and using the Autoregressive distributed lag model (ARDL) to find out whether there is long-run relationship between foreign direct investment and economic growth in Nigeria.

In the first model, ordinary least square was utilized to determine the effect of foreign direct investment (FDI) on economic growth of Nigeria. Base on the outcome, it was discovered that Foreign Direct Investment (FDI) and Education (EDU) (Human capital) have positive and significant effect on Economic growth in Nigeria. Exchange rate has a negative and significant effect to the Economic growth of Nigeria, while Trade Openness and Inflation are negative and insignificant to Economic growth of Nigeria. The aftereffect of the test shows that foreign direct investment (FDI) has a positive and significant effect on the economic growth of Nigeria. These studies conform to the study of Keita & Baorong (2022), Kuku, Mensah & Sena (2021), Khan & Sarker (2020), Ndambendia & Njoupougnigni (2010) and Seetanah & Khadaroo (2007).

In model two for objective two, the Autoregressive distributed lag model with the use of Wald test was used to verify the long-run relationship among the variables and most especially to know the long run relationship between foreign direct investment and economic growth. Base on the outcome, it shows that there exist a long run relationship among the variables under study and most especially between foreign direct investment and economic growth in Nigeria.

## 6 Policy Recommendations

Base on the findings, the study recommends that, first, the Nigeria government ought to grow its work drive and improve educational policy to raise the stock of human capital in the nation. Second, trade receptiveness ought to be encouraged in order to flag responsibility to outward-looking, market-oriented policies and upgrade trading openings subsequently pulling in foreign investors expectation on making the most of the new trading opportunities. Third,

Nigeria government should formulate policies that will attract FDI in all sectors of the economy mostly in the manufacturing and service sector, so as to develop the infrastructural amenities and production of goods in the country. Fourth, the Nigeria government and the various policies makers should formulate enabling and suitable policies towards attracting FDI both in oil and non-oil sector of the economy. Fifth, Programs and policies that promote FDI and reduce inflation and unemployment should be encouraged.

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