Journal of Global Economics and Business **January 2022, Volume 3, Number 8, 125-155**
ISSN: Print 2735-9344, Online 2735-9352

EFFECT OF UNFAVOURABLE ENVIRONMENTAL FACTORS ON FOREIGN DIRECT INVESTMENTS INFLOW (FDII) AND NIGERIA'S ECONOMIC GROWTH

Hussain A. ABUBAKAR, *(CA)*

Department of Business Administration, University of Abuja, Gwagwalada, Nigeria

Abuhussayn75@gmail.com

&

Bello AYUBA

Department of Business Administration, University of Abuja, Gwagwalada, Nigeria

ayuba.bello@uniabuja.edu.ng

Abstract

The main objective of the study is to examine the effect of unfavourable environmental factors on FDIs inflow and Nigeria's economic growth. The study is motivated as a result of continued fall in the nation's percentage of FDIs to net GDP ratio. This is as a result of some unfavourable external business environmental factor such as political instability, corrupt practices, weak institutional/legal framework and over reliance on Oil/Gas rather than other critical sectors (i.e manufacturing and construction). Annual Secondary data spanning 30year period (1988-2018) is used for the study. Endogenous model is employed to perform multiple regression analysis using e-view statistical package (version, 10). Findings revealed that the unfavourable external business environment examined, has negative and significant effect on Foreign Direct Investment inflow and Nigeria's economic growth. The study recommended that the federal government should strengthen its fiscal policies on business regulatory agencies. This can be achieved by ensuring that these regulatory agencies are proactive in carrying out their statutory mandate without fear or favour to enhance sustainable friendly business environment for economic prosperity. The study concluded that unfavourable environmental factors have negative effect on FDIs inflow, hence the need for the federal government to tackle them head-on for an enhanced Nigeria economic growth.

Keywords: *Foreign Direct Investment, Nigeria's Economic Growth, External Business Environment*

DOI: 10.31039/jgeb.v3i8.44

1. Introduction

Background to the Study

The relevance of Foreign Direct Investment (FDI) on economic growth of any nation cannot be overemphasized. One of the major channels of achieving rapid economic growth and the standard of living is to attract foreign direct investment into different sectors of the economy.

This is due to its well known significant influence on the provision of new technologies, capital freight, technical transfer, managerial skills, entrepreneurial abilities and access to market as essential internal output for development as well as direct-job overtime which has been a strong impetus for economic growth. Foreign Direct Investment, based on agreed framework as existed in the literature, is that 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 investors (World Bank, 1996). Such investment may take the form of either "Greenfield" investment (also called "mortar and brik" investment) or merger and acquisition (M&A), which entails the acquisition of existing interest rather than new investment.

African countries depended largely on FDIs; hence several efforts are being made to improve their business climate from the desire to attract FDIs. However, the effort of most African countries to attract FDI; have been less than anticipated and the pattern of the FDI that does exist were often skewed toward extractive oil industries, an indication that the different rate of FDI inflow into Africa has been due to natural resource and large market potentials. However, Nigeria as a country, given her natural resource base and large market size, is a major recipient of FDI in Africa and indeed it is one of the top three leading African countries that is consistently receiving FDI inflow beside South Africa and Kenya in the past decade since the discovery of crude oil (World Bank, 2010). Between 1970 to 1979, Nigeria recorded an average ratio of FDI net inflow of about 1.589 to GDP while from 1980 to 1989, the average ratio of FDI net inflow to GDP stood at 1.95, thus in 1993 through 1994, the country made a remarkable record of 8.84% and 6.3% to GDP respectively (World Bank, 2010).

However, from 1995 to 2010, FDI net inflow as percentage of GDP has not gone beyond 4.0% (World Bank 2010, CEIC, 2018 trading economics 2018). This unfortunately, marked the beginning of the dwindling trend of FDI inflow as percentage of economic growth as report has it that Nigeria has recorded about 70% drop in FDIs inflow (CBN, 2010). Unfavourable environmental factors are adduced as reason for dwindling trend (global anticorruption 2012, World Bank/FC 2012); These factors include those internal/external economic factors which are prevailing system values in the society that are not favourable in the smooth running of businesses. Among these factors include; law/rules adopted by states that regulate the economy, monetary and fiscal policies of a state that are not favourable to investors, weak legal/institutional framework, and public infrastructure deficit, foreign capital and entrepreneurial policies, political instability, unethical and corrupt practices etc. These environments affect business investment location and realization of business activities of

foreign investors (Djankou, Portals & Loapa, 2002). In recent years, empirical studies investigated the effect of regulatory/institutional framework and the application of laws and order to attract FDI inflow in the economy. (Herrera, de arce & Escribano, 2014) (Godiness & Liu, 2015) in their study assert that bureaucratic procedures, institutional voids and corruption are indicated as limiting factors for attracting FDI inflow.

More specifically, the differences in regulation of business to the location where business activities are realized, thus affects the investment decision of multinational companies during the process of selection of the location among potential host countries. All these have led to the conclusion that adequate regulated business environment should be enforced as it attract foreign direct investments. Shareholders are now focusing on the research of the linkages between several business environments and ease of doing business ranking to attract FDIs (Bayraktar, 2015; Corncoran & Gillanders, 2015; Mahbuba & Jongwanich, 2019). It is on this note that this study examined the relationship effect of unfavourable environmental factors on FDI inflow and Nigeria's economic growth.

Statement of the Problem

Nigeria, given its large market size and resource potential, is one of the top recipients of foreign direct investment inflow since the discovery of crude oil. However, the unfavourable environmental factors that have led to the dwindling percentage of FDI to GDP (Economic growth) rate is troubling, i.e. in 1970 through 1989, the FDI% of GDP (Economic growth) is 1.58 and 1.95. The highest was recorded in 1993 and 1994 at 8.84% and 6.3% respectively during the period of oil boom. However, from 1995 to 2010, the percentage of FDI to GDP Economic growth rate fell below 5.0% world bank 2010, CEIC, 2018, trading economics, 2018). To curtail this decreasing trend, the government came up with policy reforms such as the Transformation Agenda, Seven-Point Agenda and the economic recovery growth plan which all aimed to address issues on insecurity, inflationary growth infrastructure and other business-enhancing incentives. Despite these policies, FDI to GDP growth further dripped to 0.79% and 0.81% in 2017 and 2018 respectively. Among the problem adduced to this trend are some unfavourable external business environmental factors arising from corrupt practices (i.e bribery, favoured leadership position, cutting corners and bureaucracies on Investment procedures); political instability (i.e political crises, military coup, election violence and constant change in government policies); weak institutional/legal framework and property right protection of foreign investors such as (ordinances, laws, norms, monetary and fiscal policies of government as well as its regulatory institutions and agencies) (global anti-

corruption 2012; World Bank/FC 2012); Other identified problem variables includes over-reliance on Oil/Gas rather than other critical sector of FDIs inflow such as construction and manufacturing; poor disaggregation of FDIs components such as equity capital, asserts/equipment and reinvestment earnings. Hence this study is aimed at assessing the significant effect of these unfavourable environmental factors on FDIs inflow for Nigeria's economic growth.

Research Questions

In view of above stated problems, the following research questions were raised:

i. To what extent do corrupt practices affect FDIs inflow and Nigeria's economic growth?
ii. To what extent does political instability affect FDI inflow and Nigeria's economic growth?
iii. How does a weak institutional/legal framework for property rights protection of foreign investors affect FDIs inflow and Nigeria's economic growth?
iv. To what extent does over-reliance on Oil/Gas rather than construction and manufacturing sectors of FDIs inflow affects Nigeria's economic growth?

Objectives of the Study

The main objective of the study is to examine the effect of unfavourable environmental factors on FDIs inflow and Nigeria's economic growth. The specific objectives are to:

i. Determine the extent to which corrupt practices affects FDIs inflow and Nigeria's economic growth.
ii. Assess the extent to which political instability affects FDIs inflow and Nigeria's economic growth.
iii. Examine how weak institutional/legal framework for property right protection of foreign investors affects FDIs inflow and Nigeria's economic growth.
iv. Evaluate the extent to which the over-reliance on Oil/Gas rather than construction and Manufacturing sectors of FDIs inflow affects Nigeria's economic growth.

Research Hypotheses

The following null hypotheses were being formulated to guide the study:

Ho_1*: Corrupt practices do not significantly affect FDI inflow and Nigeria's economic growth.*

Ho_2*: Political instability does not have a significant effect on FDI inflow and Nigeria's economic growths.*

Ho3: *Weak Institutional/legal framework for property right protection of foreign investors does not have significant effect on FDI inflow and Nigeria's economic growth.*

Ho4: *Over-reliance on Oil/Gas rather than critical sectors of construction and manufacturing do not have a significant effect on FDI inflow and Nigeria's economic growth.*

Scope of the Study

The study is on the "Effect of unfavourable environmental factors on foreign direct investment inflow and Nigeria's economic growth". The justification for this study is that, in most developing countries such as Nigeria, FDI can be employed to quicken the pace of Industrial Development particularly, in the Manufacturing and construction sectors. This is enhanced by providing capital infrastructure, employment, international market access, revenue, enhanced entrepreneur and technology transfer, providing capital development without payment commitment, unlike loan finances, managerial and technological know-how with potential spillover benefit for host countries firms. Economic Growth on the other hand is an increase in productivity growth of goods and services of a country over a specific period. However, most studies on FDIs have proven that all the aforementioned benefits of FDIs inflow have positive spill over effect on Nigeria's economic growth.

However, the problems identified as reasons for a gradual fall of FDIs % to Nigeria Economic Growth formed proxies for unfavourable environmental factors which includes corrupt practices (i.e. bribery, favoured position, cutting corners, bureaucracies on investment procedures), political instability (i.e. Military Coup, political crises, election violence and constant change in government policies), weak institutional/legal framework such as (legislations, laws, ordinances, monetary and fiscal policies of government as well as its regulatory institution and agencies); and over-reliance on Oil/Gas rather than other critical sectors of FDIs inflow such as construction and manufacturing. To determine the effect of the above-identified problems on FDI and Nigeria's economic growth, the study used the endogenous model to analyze the set objectives. The justification for using the endogenous model is because its causality test has the potentials to reveal the relationship effect, while the annual data used spanning 1988-2018 covers the period of the military coup, long term political instability and corrupt practices in Nigeria.

2. Literature Review

Concept of Foreign Direct Investment

FDI is an attempt by individuals, groups, companies and governments of a nation to make resource of productive purpose across its country to another country with the anticipation of earnings some surplus (Agada & Okpe, 2012). Foreign direct investment 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 of the investor's residency (World Bank, 2014). Such investments may take the form of either "Greenfield" investment (also called "mortar" and "brick" investment) or Merger and Acquisition (M&A), which entails the acquisition of existing interest rather than new investments. In corporate governance, ownership of at least 10% is recorded as portfolio investment. FDI comprises not only M&A, but reinvestment earnings and loans as well as other similar capital transfers between parent companies and affiliates. Countries could both be host to FDI projects in their own country and participant in investment project in other countries. A country's inward FDI position is made up of the hosted FDI project while outward FDI comprises of those investment projects owned abroad.

Foreign direct investment is the interest in which a firm sorts a considerable controlling enthusiasm for an outside firm (over 10% offers) or sets up an auxiliary in an outside nation. Foreign direct investment in corporate mergers and acquisitions, constructing new offices, reinvesting benefits earned from abroad operations and intra-organization credit (Harmon & Reddy, 2012). foreign direct investment is an investor's durable or long term interest in investing in existing equity stock, assets, merger/acquisition and or extending its subsidiary or creating an entirely new business in a foreign country (Hussain, 2021).

In a broader definition, FDI consists of the acquisition or creation of assets (e.g. firm equity, land, house, oil drilling rigs) undertaken by foreigners. If in these enterprises they are not alone but act together with local firms and/or governments, i.e "joint venture."; A country outflow of FDI means that it is "exporting money" to "buy" or "build" foreign productive capacity, whose ownership will remain in the first country's hands. For a country, attracting an inflow of FDI strengthen the connection to world trade networks and finances its development path. However, unilateral massive FDI to a country can make it dependant on the external pressure that foreign owners might exert on it. Since it is through FDI that a firm becomes a multinational, one could say it's the FDI process that generates MNC (Multinational Companies). The reverse is also true; firms that are already multinational generate the majority of FDIs flow.

Forms of Foreign Direct Investment

There are two main forms of FDI, "Greenfield" and "Upstream" investments (Wang & Wong, 2009). A "Greenfield" investment is also known as cross border mergers and acquisitions (M&As). Ndikumana & Verick, 2008) noted that cross border M&As involve the purchase of existing facilities while Greenfield investment entails setting up new facilities. According to Vasconcellos and Kish (2013), Merger and Acquisitions by foreign firms are one of the fastest ways of entering a foreign market. However, cross-border mergers and acquisitions are speculative funds with no much value-adding to important elements of FDI such as technology transfer and skills transfer. Generally, therefore cross border Mergers and acquisitions as a form of FDI could have a potentially negative effect on economic growth. On the other hand, it is argued that contrary to cross border mergers and acquisitions, Greenfield investments have a positive effect on economic growth because they have the ability for production capacities, new working places, new consumer and new taxpayers. In addition to the above, Wang & Wong, (2009) also found that Greenfield investments promote economic growth and contribute significantly to poverty alleviation. More specifically, various forms of FDI may have varying effects on economic growth in different economic sectors. Monastiriotis and Alegria, (2011) noted that Greenfield investments have a direct transfer of new technologies, capital, management and know-how which accrue directly to the firms acquired by a foreign entity. This to a greater extent means that Greenfield investments are likely to result in accelerated economic growth in investments that are skills and technologically hungry. SOn the other hand, Greenfield investments are likely to be more beneficial in economic sectors where firms improve themselves through learnings from other firms and engaging in competitive behaviour. Nanda, |(2011) conducted research using econometric analysis on 89 countries to find which FDI form is more beneficial and his results concluded that not only is the Greenfield investments.

The Surge of Foreign Investors in Nigeria

ADB (2010) opined that if Nigeria can succeed in strategic the transformation of its manufacturing sector as suggested by many experts and recent policy initiatives, the growth rate of the manufacturing sector may reach double-digit in the next five years; and this will put Nigeria's growth rate ahead of other emerging economies. In most developing countries, FDI can theoretically be employed to quicken the pace of industrial development, including the manufacturing and construction sectors, by providing industry, capital infrastructure, employment, international market access, revenue and technology (Ratha, 2010).

Nigeria, given her natural resource base and large market size, qualifies as a major recipient of FDI in Africa, and indeed, is one of the top three recipients of FDI in Africa, but the volume of FDI attracted so far has been mediocre compared with the resource-base and potential need. The macroeconomic environment in Nigeria has not been conducive for the thriving of FDI, and no investor wants to invest in a place where he will suffer capital loss, no matter how promising and profitable it appears. The pattern of FDI that does exist is often skewed towards the extractive industries (oil and gas sectors) so that it has been suggested that the differential rate of FDI inflow into Nigeria is because of natural resources, although the size of the local market may also be a consideration (Morriset 2010). Unfortunately, the efforts by most countries in Africa, including Nigeria, to attract FDI to real sectors of the economy, such as the industrial sectors, have not been encouraging. This development is disturbing and means there is little hope of economic growth and development for these countries. There are good reasons for paying more attention to FDI and its effect on Nigeria economic growth.

First, FDI can bring development capital without repayment commitments, and this is clearly different from loan finance. Secondly, FDI is not merely capital; it is an important and potent bundle of capital, contacts, managerial and technological knowledge, with potential spillover benefits for the host country's firms. Thirdly, unlike other forms of capital flow, FDI has proved to be resilient during crises (Dadush, Dasgupta & Ratha, 2010). This was evident in the Latin American debt crises of the 1980s, the Mexican crises of 1994 - 95, and in Asian financial crises of 1997 - 98. These traits have encouraged intense competition for FDI among developing and transition economies. Despite the tremendous benefits, the controversy still rages as to whether or not FDI constitute a ladder to development. In the midst of these controversies, the need arises to assess the effect of FDI flows and the attendant technologies of FDI for Nigeria's manufacturing sector. More importantly, FDI has been widely recognized as factor explaining economic growth. Past empirical studies (both cross-country and country-specific) into how FDI affects growth has proven that FDI growth nexus promote economic growth and, by extension, improve manufacturing sector performance. Nevertheless, there are clear indications that the growth enhancing-efforts of FDI inflow vary from country to country. This means that there has been diverse and, sometimes, conflicting empirical evidence from both cross-country and country-specific analyses of the FDI-growth nexus.

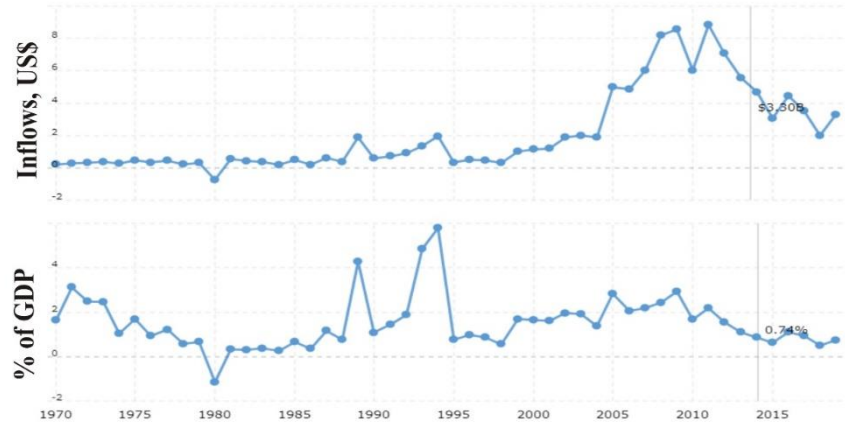

Fig. 1: *The nature of flow of Nigeria FDI from 1970-2019*

Source: *World Bank, (2018)*

In Figure 1, Nigeria foreign direct investment for 1988 is just $1.124B while in 1990, FDIs inflow amount to $2.121B and the contribution to GDP ratio rose to about by 44%. However, in 1991 the US $ FDI inflow depleted to $1.34 and rose steadily to $ 2.221B in 1994. By 2005, US$ flow was $4.423B respectively which all raised the percentages of GDP growth rate. In 2016 FDIs was $4.458. A 45.19% increase from 2015. For 2017, FDI was $ 3.50B while there was a 21.26% decline from 2016 to 2018, FDI was $ 2.00B; a 42.98% decline from 2017. For 2019, FDI was $ 3.30B. A 65.16% increase from 2018.

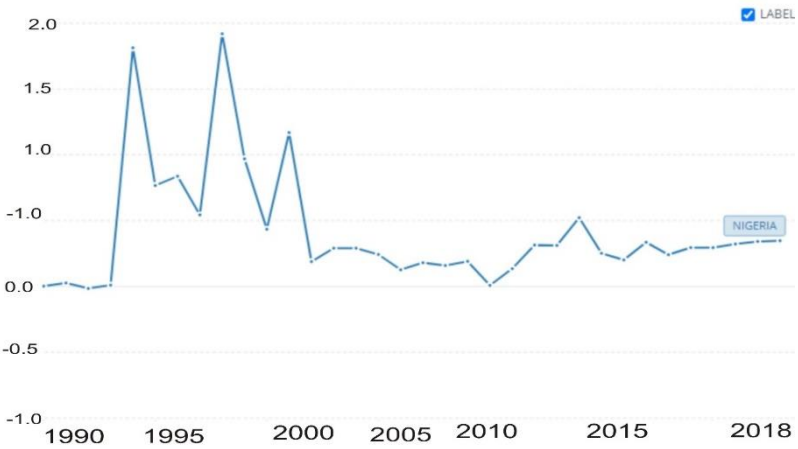

Fig. 2: *The pattern of FDIs surge into Nigeria explaining its level of the declining rate*

Source: *World Bank, (2018)*

Figure 2 depict the pattern of depleting inflow of foreign direct investments though the 90's and 21st century. The surge of FDIs inflow was as high as 1.88% and 1.90% in 1994 and 1998 respectively, the surge depilated drastically in 1999. However, foreign investments rose to about 1.5% in 2000 and continue to fluctuate between 1.50% and -1.00%.

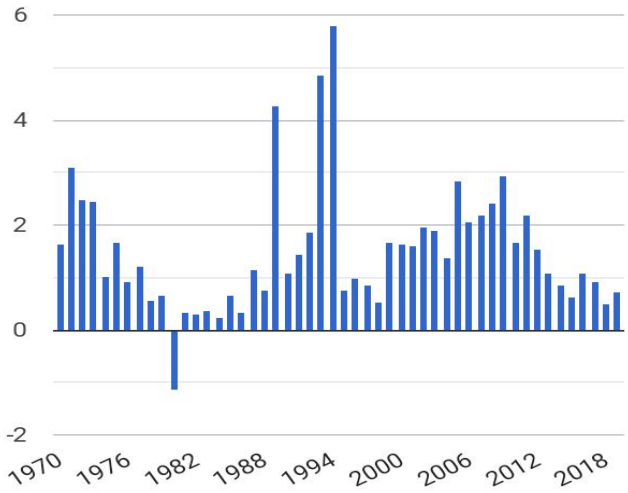

Fig. 4: *A hypsographical data explaining a dwindling FDIs inflow into the Nigeria's economy*

Source: *World Bank, (2018)*

Figure 3 depict a clear pictographic picture of the dwindling FDIs inflow through the 70's and 21st century. The figure indicated that the highest FDIs inflow in Nigeria is recorded in 1994 with $5.99B US% and the lowest of $0.334B in 1986. The dollar inflow from FDIs in the 90s was remarkable with $4,.223 in 1990, $5.12B in 1993 and $5.99B in 1994 respectively. The 20th century only recorded its highest FDIs inflow of $4.43B in 2007 and $3.51B in 2011 respectively while the lowest FDIs inflow of between $0.34B and $1.44B was recorded in the 80s.

Effect of Unfavorable Environmental Factor on FDIs Inflow

Environmental factor such as corruption is one of the institutional qualities that can determine FDIs inflow in a country. Studies have shown that countries with good regulatory frameworks attract more FDIs inflow while those with poor legal structure cannot safeguard investments. Hence, foreign investors are scared of investing in such countries. Corruption includes bribery and any other activities of people, having obligation in the public or private sector; who disrupt their responsibilities for selfish gain. (Gasanova, Medvendor & Kometsky, 2017). The menace of corruption especially on young generation led to the OECD Anti- Bribery convention which mandated OECD members countries to enforce criminal action against any form of bribery noticed among foreign public officials in international consiners transaction and to ensure effective monitoring at its implementation stage (Blundell-Wignall & Roulet, 2017).

Hassan et-al (2017) studied the impact of corruption and FDI inflow using china and India as case studies. The result for the two countries differed though there are views that corruption aids FDIs inflow and Nigeria Economy, but for India the effect was negative while for China it was positive. Bluud-Wignall and Roudet, (2017) examined the impact of corruption on FDI inflows especially with the application of OECD Anti-Bribery convention guidelines. The effect of corruption on FDI using the general population was positive, in countries that adhere strictly to OECD Anti-Bribery convention guidelines, the impact of corruption on FDI was absolutely negative.

Corruption is found to affect investments in countries where it is rampart (Everhart, 2010) create public and or private additional non-market business cost and may create an unattractive climate for investment depending on the type of FDI in question. Most research tailored its negative effect on Nigeria and how it affects investment inflow by limiting the potentials of the nation and damaging its image word-wide Corruption being a component of institutional factors is predicted to significantly affect FDI inflow. The government bureaucracy in most countries with high profile of corruption like Nigeria provides an avenue for corrupt practices such as the government itself, through its legislative arm perpetrate corruption in its highest order. The presence of corruption in almost every facet of Nigeria economy has negatively affected both foreign and local investments in Nigeria (Comodero & Dandago, 2018).

Also, studies show that political violence has found to been affect FDI by decreasing the chances of the country being chosen as an investment location rather than reducing the size of investment and findings further shows that such political violence is associated with being the product of weak institution (Bestly & Person, 2011). Political instability can largely affect the return on investment of multinational firms (Jenson, 2008) even though it was considered not significant enough to hinder the attraction of FDI (Edwards, 1990). Deep ethnic, tribal and religious misunderstanding and or intolerance related conflicts are common forms of violence related to politics in Nigeria (Ugwuauyi & Odigbo, 2012). Khan and Mashque (2013) determine the negative and significant relationship between political instability risk and FDI, Accounting for 94 countries over a span of 24 years from 1986-2009. They conclude that the most of the political risk indicators have a negative relationship with FDI for the world as a whole and the high-income countries but the relationship was the strongest for the upper middle-income countries.

Hasksoon (2010) in his study of political stability on FDI suggests two Hypotheses; with the first being that FDI inflows generally flow towards countries that suffer from instance of

political stability, while FDI inflow tends to flow from politically stable countries. The second Hypotheses is that after adjusting the macroeconomic factors, the inward performance of FDI is high for countries that suffer political instability. He managed to confirm hypotheses with emphasis that political risk is an important factor in limiting capital inflow. Investment in most developing countries is exposed to large political risk, so FDI inflow is large for politically unstable countries. For the same reason, FDI outflows are large for politically stable countries to invest in countries with large political risks.

Also, legal or regulatory framework as formulated through institutional dimension provides an important determinant of international production by way of foreign direct investment (Dunning, & Hadan, 2008). This approach was caused by the empirical research which recognized the regulatory framework for Business entities as crucial determinants during startup business activities (Djauku, 2002). More specifically, the differences in regulation of business to the location, where business activities are realized, thus affects the investment decision of multinational companies during the process of selection of the location among potential host countries. All these have led to the conclusion that an adequate regulated business environment should enforce and attract FDIs.

A recent research theory has clarified that institutional framework, corruption, unstable polity etc. of host countries have significant location factors for FDIs decision and strategist (Jiang, 2008). Shareholders are now focusing on the research of the linkages between several business environment and Ease of Doing Business ranking to attract FDIs (Bayraktar, 2015) Corncoran & Gillanders, 2015; Mahbuba & Jongwanich, 2019. It is on this note that this study examined the relationship effect between unfavourable environmental factors on FDI inflow for Nigeria's economic growth.

Effect of FDI on Economic Growth in Nigeria

There have been some studies on investment and growth in Nigeria with varying results and submissions. For example, Odozi, (1995) studied the factors affecting FDI flow into Nigeria in both the pre and post Structural Adjustment Programme (SAP) eras and found that the macro policies in place before the SAP were discouraging foreign investors. This policy environment led to the proliferation and growth of parallel markets and sustained capital flight. Ogiogio, (1995) reports negative contributions of public investment to GDP growth in Nigeria for reasons of distortions. Aluko (1961); Brown (1962) and Obinna (1983) report positive linkages between FDI and economic growth in Nigeria. Endozien, (1968) discusses the linkage effects

of FDI on the Nigerian economy and submits that these have not been considered and that the broad linkage effects were lower than the Chenery Watanabe average (Chenery & Watanabe, 1958). Oseghale and Amonkhienan, (1987) found that FDI is positively associated with GDP, concluding that a greater inflow of FDI will spell a better economic performance for the country. Ariyo, (1998) studied the investment trend and its effect 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 suggests the need for an institutional rearrangement that recognizes and protects the interest of major partners in the development of the economy.

Examining the contributions of foreign capital to the prosperity or poverty of LDCs, Oyinlola, (1995) conceptualized foreign capital to include foreign loans, direct foreign investments and export earnings. Using Chenery and Stout's two-gap model Cheneiy & Stout, (1966), concluded that FDI has a negative effect on economic development in Nigeria. Further, based on the time-series data, Ekpo, (1995) reports that political regime, real income per capita, rate of inflation, world interest rate, credit rating and debt service were the key factors explaining the variability of FDI into Nigeria. Adelegan, (2000) explored the seemingly unrelated regression model to examine the effect of FDI on economic growth in Nigeria and found out that FDI is pro-consumption and pro-import and negatively related to gross domestic investment. Akinlo, (2004) found that foreign capital has a small and not statistically significant effect on economic growth in Nigeria. On firm-level productivity spillover, Ayanwale and Bamire, (2001) assess the influence of FDI on firm level productivity in Nigeria and report a positive spillover of foreign firms on domestic firm's productivity.

Much of the other empirical work on FDI in Nigeria cantered on examination of its nature, determinants and potentials. For example, Odozi, (1995) noted that foreign investment in Nigeria was made up of mostly "greenfield" investment, that is, it is mostly utilized for the establishment of new enterprises and some through the existing enterprises. Aremu, (1997) categorized the various types of foreign investment in Nigeria into five: wholly foreign-owned; joint ventures; special contract arrangements; technology management and marketing arrangements; and subcontract co-production and specialization.

Empirical Review

Godinez and Liu (2015) evaluated the relationship between corruption distance and FDI inflows into Latin America. The major findings of the study are that firms that are resident in countries with high corruption profile are usually not affected by the level of corruption preventing in the host countries where they find investment opportunities. Hassan et-al (2017) studied the impact of corruption and FDI inflow using China and India as case studies. The result from the two countries differed through; there are views that corruption aids FDI inflow in an economy. But for India, the effect was negative. Imoudu, (2012) examined the relationship between disaggregated FDI into various economic sectors, economic growth and the factors that drive FDI in Nigeria for the period between 1980 and 2009. The results show that FDI in manufacturing, agriculture and petroleum sectors have had little effect on economic growth while FDI into service sectors such as telecommunications has yielded a better effect on real economic growth.

Blundel-Wignall and Roulet (2017) examine the impact of corruption and FDI inflows application of OECD Anti-bribery convention guidelines. The effect of corruption on FDI using the general population was positive but continues that adhere strictly to the OEDC anti-bribery convention guidelines, impact of corruption on FDI was absolutely negative. Bayar Alkbarov (2016) employed Westerl and-Durbin Hausman co-integration test to examine the impact of foreign direct investment inflow in 23 emerging economies from 2002 to 2014. The result of the overall panel data revealed that corruption and rule of law had no significant impact on FDI inflows. Woo (2010) Applied panel regression to evaluate the impact of corruption of FDI inflows in 90 countries from 1984 to 2004 and the result indicated that corruption used negative influence on FDI inflows.

Tristan (2017) used the Arellano-Bound difference-Generalized Method of Moments (GMM) methodology to access the effect of corruption on foreign direct investment (FDI) inflows in the Asia and the pacific region using panel data of 46 countries from 2006-2013. The findings indicated that corruption had negative influence on FDI inflows. The study also found that significant association between FDI inflow and corruption among the low and middle income nations. Gutierrez (2015) examined the impact of corruption in attracting of Argentina. The study was motivated by the rating of Argentina as one of the highly corrupt countries in South Africa. However, the findings of the study indicated that the high level of corruption in Argentina did not have negative impact on FDI since the focus was on exploration of natural resources. Quaz et-al (2014) used the dynamic system Generalized Method of Moment to

analyze the impact of corruption on FDI in 53 Africa countries from 1995-2012. The study confirmed the helping hand theory of corruption, that is, by implication corruption accelerated FDI inflows in Africa. Gasanova et-al (2017) assessed the impact of corruption on FDI inflows by dividing countries into 4 categories. The result of the study revealed that countries with low level of corruption and favourable economic environment attract FDI inflows while countries with high level of corruption and unfavourable economic environment do no attract FDI inflow. In the study, Brazil, China, India and Russia fell into the category of countries with high level of corruption and high inflows due to cheap labour, large domestic market and endowment of natural resources.

Hakson (2010) in his study on the influence of political stability on FDI inflow suggests two hypotheses, with the first being that FDI inflows tend to inflow towards countries that suffer from distances of political stability, while FDI inflows tends to flow from politically stable countries. Hakson's second hypothesis is that after adjusting for macroeconomic factor's the inward performance of FDI is high for countries that suffer from instances of political instability. A pooled Ordinary Least Squares (OLS) with robust standard errors for the panel data using rubost (cluster) covariance matrix as in worldridges (2002), was performed first with several, other quantitative method analysis to confirm the hypotheses. Khan and Moshque (2013) determine a negative and significant in relationship between political risk and FDI, accounting for 94 countries over a span of 24 years form 1986-2009. They conclude that most of the political risk indicators have a negative relationship with FDI for the world as a whole and the high-income countries but the relationship was the strongest for the upper middle-income countries. Peter K., Filis, K., (2017) wrote on the relevance of political stability on FDI for the period between 1996-2014 using panel data from the world bank data bank VAR and ARDI model was used to analyze the data. The study concluded that there is no significant difference in the significance of political stability in countries based on their respected economic size and level of development.

Alabi, (2019) Investigated the impact of foreign direct investment on Economic Growth: Nigeria Experience. Secondary Data was sourced from CBN Statistical Bulletin Descriptive find regression analysis was used as the estimation techniques, findings of the study revealed, the coefficient value of FDI and its P-value implied that a unit increase in LFDI will increase LGDP and therefore concluded that foreign direct investment was positive and significant to the economic growth of Nigeria while the domestic investment was also positive but not significant at 59% alpha level. Hasan & Salim, (2017) empirically analyse the linkage between

FDI, domestic investment and economic growth proxied by GDP in Nigeria. Annual time series data for the period of 1980-2015 was employed Johansson multivariate co-integration test and Vector Error Correction Model (VECM) as the estimation techniques. The result of the study reveals that FDI, and economic (GDP) growth has a long-run equilibrium relationship. The Granger casualty test also revealed a unidirectional casualty running from FDI and GDP growth. The study's Johansson multivalent co-integration test and correction errors collection model (VECM) fails to accommodate practical sectors of investment and other microeconomic indicators as important variables and or proxies that ascertain a prudent growth in GDP.

Theoretical Bases (Endogenous Theory)

The endogenous growth model theory as used in this study was developed by Romer (1986) and Lucas, (1988) which has focused on the role of human capital from the outset of the main source of increasing return and divergence in growth rises between developed and underdeveloped countries. The theory model has been refined and extended further by Rome himself (Romer, 1990, Rebelo, 1991 and Stole (1991). It has also been subjected to empirical testing Barro (1991) initiated it by regressing cross-country per capita income growth on a set of ancillary variables including the primary school enrolment ratio as a proxy variable for human capital. He found the initial level of human capital to be a significant determinant for economic growth. Kyriacou, (1991) has constructed a cross-country human capital index from data on average school years in the labour force and school environment ratios. From the cross-country regression of per capita income growth, he finds the coefficient of initial human capital stock to be positive and significant but that of human capital growth to be positive negative and insignificant. However, Kyriacous's index is still another proxy variable limiting the convergence hypothesis implied by the 7solow-type (1956), neoclassical model has been questioned by endogenous calls for an empirical test using time series data rather than cross-country data.

The endogenous theory focuses on investment in human capital as an indispensible facet of production. It applies the existence of a variety of endogenous mechanisms involving improvement of human productivity availability and aids to human labour that is essential in fostering economic growth and opined the need of public policymakers to incorporate it. Proponents of endogenous theory assume that technological changes endogenous and that private investment raise the level of technology for the whole economy. This is because the positive externalities emanating from or associated with private investments brings about a type of production function that exhibits increasing return to scales. In a similar vein, posits

the perception that human capital has spillover effects that promote sustained growth. The endogenous growth theory model is explained by technological change that stems from investment decisions made by profit maximizing-agents. The key feature of the model is the introduction of monopolistic competition in the intermediate goods sector which allows dealing with the problem of increasing returns as well as engaging the firm into research activities and hence the creation of knowledge which is compensated with monopoly rents. Thus, the equilibrium is that of monopolistic competition.

The main conclusion of the model is that the stock of capital determines the rate of growth; little human capital is devoted to research in equilibrium; trade integration will lead to a higher growth rate and a large population is not a sufficient condition for the generation of growth. (Romer, 1990). The theory model relied on three major premises, first, technology change – as in the solow- swan model is the key driller of economic growth and both capital accumulation and technological change account for any significant increase in output per capital worked. Second, technological change stems from economic decisions undertaken by individuals responding to market incentives. In this sense, technology change is endogenous rather than exogenous. Finally, instructions with raw materials are inherently different from other economic goods. This theoretical model makes several simplifying assumptions to keep the dynamic analysis manageable and simple. I.e. population and the supplied labour are assumed constant and the total stock of human fixed. The production function in the final goods sector is given by Y=Ka(ALy)1-a.

Where: *Ly=amounts of labour in final good sector*
LA= amounts of labour in R&D sector

3. Research Methodology

The study used the ex-post factor design by extracting secondary data from Transparency International (2019) for corrupt practices, freedom house (2018) to poxes legal framework and the Central Bank of Nigeria. CBN Statistical Bulletin (2019, 2016, 2007) for data on exchange rate, interest rate and FDIs inflow into oil/gas manufacturing and construction, National Bureau of Statistics (2019) for data on inflation rate. The Endogenous model was employed using multiple regression analysis to analyze Annual data spanning 1988-2018; through the use of the E-view version 10 statistical software package. This is to enable the researcher to determine the long-run and short run impact and when there are shocks during the period under review. The causality test was used to reveal the relationship between FDI's variables and Nigeria's

Economic (GDP). All the data extracted were compared with those presented by other international sources such as Organization for Economic Cooperation and Development (OECD) and the World Bank Statistical Data Bank where there are found valid and reliable. According to endogenous growth, A is endogenously determined by economic factors. Adopting the method of Egwaikhide 2012), and used by Fredrick & Manasseh, (2014), local and foreign components of domestic investment cannot be separated due to the unavailability of data in the literature that have fully captured addition to domestic investment by a foreign firm. Hence we assure that the effect of FDI on GDP operating through depends on the trade policy regime which we capture with Trade Openness (TO) as explained in model specification.

Model Specification

Using the Endogenous model, we assume that the effect of FDI on Nigeria's economic growth is dependent on Trade Openness (Top). Hence we defined:

Y = F (L, K, Xit, Top) …….. (i)

Where Y = output (proxy – real gross domestic product (RGDP)

L =Labour force measure with the population ages of 15 and 64 as % of the population.

K = Capital stock measured by real gross fixed capital formation as % of GDP.

X = is measured by FDI in the three sectors of oil/gas, manufacturing and construction, (Top) = Trade Openness Policy

The summation of export and import of goods measured as the share of GDP specified as

Y = F (L, K, FDIo/g, FDIman, FDIcon, TOP) …….. (ii)

The first, second and third objective which is on the effect of corrupt practices, political instability and weak institutional/legal framework as well as the use of other moderating macroeconomic variables such as real interest rate and inflation on Nigeria's economic growth. The following model is been formulated:

$$FDI, = \varphi_0 + \varphi_1 PI_t + \varphi_2 Crptn_t + \varphi_3 legFrwk_t + \varphi_4 Inf_t + 4_5 Intr_t + \varphi_6 REr_t + \mu it \ldots. (1)$$

We used a dummy variable to measure political instability (PI). This takes the value of one (1), if there is no military coup and zero if the government is interrupted by a Coup. Institutional/legal framework (LEGFRWK) is proxies with freedom house index (FH) while

corruption is measured with corruption index (CRPINDX). Inflation (INF), real interest rate (RINTR) and real exchange rate (RER) are some of the macroeconomic variables considered in the study. Inflation is measured by the consumer price index.

For the fourth objective which is on the effect of over-reliance on Oil/Gas, rather than manufacturing and construction sectors on the Nigeria's economic growth, we equate these critical sectors of FDIs inflow as Oil/Gas (FDIo/g), manufacturing sectors (FDIman), and construction sectors (FDIcon). Thus the following model is formulated:

$InY = \beta + \beta_1 \text{ In } L_t + \beta_2 \text{ In } K_i + {}_t\beta_3 \text{ In FD1o/g}_E + \beta_4 \text{ In FDIMant} + \beta t \text{ In FDICont} + \beta_6 \text{ In TOPt} \epsilon it$ ……(2)

Where:

Y = Real gross domestic product (RGDP),

L =Labour force as % of Population (Pop),

K = Real Gross Fixed Capital Formation (RGFCF) as % of GDP.

FDIo/g; Foreign direct investment into Oil/Gas,

FDIman = Foreign direct investment into manufacturing sector,

FDIcon = Foreign direct investment into construction sector,

TOP = Trade openness policy

E_t is error term: β_o is the intercept while

βi is the co-efficient of the variables to be estimated.

3.2 Granger Causality Test:

To establish the causation between the FDI, and economic growth we adopted granger Causality test denoted by the following equations

$$Y_1 = \beta + \sum_{k=1}^{111} \beta_k y_{I-k} + \sum_{1=1}^{n} \alpha_1 X_1 + \mu_1 \ldots\ldots\ldots\ldots\ldots\ldots ( )$$

$$Y_1 = \gamma_o + \sum_{k=1}^{m} \delta_k y_{I-k} + \sum_{1=1}^{n} \gamma_1 x_{1\text{-}1} + v_1 \ldots\ldots\ldots\ldots\ldots\ldots ( )$$

Where: μ_1 and V_1 are mutually uncorrelated error terms and 'K' and 'I' are the number of lags, granger causality assumes $\alpha_I = 0$ and $\delta_k = 0$ for all l's and k's for the null hypothesis. If the coefficient α'_1 S are statistically significant when δ^I_k s are not, then x. if otherwise, y granger causes x. but in a situation where α_I and δ_k are significant, the causality runs both directions.

4. Results and Discussion

Data Analysis

To examine the effect of corrupt practices, political instability, institution/legal framework and other moderating macroeconomic factors on FDI which form the first and second objectives of the study, we therefore, regress the model in equation 1. But before the regression, we subjected the variables such as foreign direct investment (FDI), political instability (PI), corruption index (CRPINDX), institutional/legal framework (LEGFRWK), inflation (INF), real interest rate (RINTR) and Real exchange rate (RER) to unit root test in order to avoid sporous result. The result of the test is presented on table 4.1 However, political instability is measured with dummy variable (e.g no military coup = 1 and military coup = 0) while institutional/legal framework is proxies with freedom house index (FH, 2018) as suggested by Barro and Lee (1994), Sala-I Mertin (1997) and De Melo *et al*, (1997).Corrupt practices are measured with corruption index. The macroeconomic variables included in this study are; inflation, real interest rate and real exchange rate.

Table 4.1: Unit Root Stationary Result

Variables	**ADF test Stat**	**Critical Value**			**Rend and Intercept**	**Order of Integration**
		1%	5%	10%		
FDI	-5.222088	-2.5838	-1.9428	-16172	None	1(1)
PI	-5707190	-2.5838	-1.9428	-1.6172	None	1(1)
CRPINDX	-4.311403	-2.5838	-19428	-1.6172	None	1(1)
LEGFRWK	-7.757960	-3.4880	-2.8865	-2.5799	Intercept	1(0)
INF	-4.024382	-2.5838	-1.9428	-1.6172	None	1(1)
RINTR	-5.162136	-2.5838	-1.9428	-1.6172	None	1(1)
REF	-3.389016	-2.5838	-1.9428	-1.6172	None	1(1)
ECM	-5.768984	-3.4885	-2.8868	-2.5801	Intercept	1(0)

Source: *Authors Computation Using Eviews 10.0, (2020).*

The unit root test presented in Table 4.1 shows that all the variables are significant at 1%, 5% and 10% critical values However, the variables are integrated of the same order with no trend and intercept except legal framework (LEGFRWK) thus, indicating a co-integration problem. The result of the ECM is significant at all the critical values with intercept hence, suggesting long-run disequilibrium in the model. To address the long-run disequilibrium problem in the model, we included ECM in the regression model. However, Table 4.2 shows the summary of the regression result.

From the summary of the regression result presented in Table 4.2, we observed that all the explanatory variables such as political instability (PI), corruption (proxy - CRPINDX), institution/legal framework (LEGFRWK proxies with freedom house index (FH, 2018), inflation (INF), real interest rate (RINTR) and real exchange rate (RER) significantly affects the inflow of foreign direct investment into Nigeria.

Table 4.2: Adjusted Least Square Statistics

Dependent Variable: FDI Method: Least Squares Sample (Adjusted): 1988:3 2018:4 Included Observations: 118 after adjusting endpoints				
Variable	**Coefficient**	**t-Statistics**	**Std Error**	**Prob.**
PI	-1.233909	-2.790534	0.442177	0.0062
CRPINDX	0.710021	5.141098	0.138107	0.0000
LEGFRWK	0.242138	2.131459	0.113602	0.0353
INF	0.071774	9.847323	0.007289	0.0000
RINTR	0.029399	2.605453	0.011284	0.0104
RER	-0.004230	-5.221188	0.000810	0.0000
C	1.831292	2.453459	0.746412	0.0157
ECM(-1)	-0.126433	-1.730919	0.073044	0.0863
R-Squared	0.717247			
Adjusted R-Squared	0.699254			
Durbin-Watson Stat	1.930737			

Source: *Authors Computation Using Eviews (10.0, 2020).*

Hence, among all the explanatory variables, Political Instability and Real exchange rate significantly and negatively affect foreign direct investment into Nigeria and the influence of inflation on the inflow of FDI remains topmost with t-statistics of 9.847325 although positive. We also noticed a significant positive effect of institution/legal framework with t-statistic (2.131459) on inflow of FDI thus supporting the alternative hypothesis. This suggests that a strong institutional/legal framework for property rights protection of foreign investors is a strong incentive to attract enormous FDI into Nigeria Economic Growth. Even though corrupt practices (CRPINDX), inflation (INF) and real interest rate (RINTR) have a positive sign as against the expected negative sign which may be as a result of the nature of the data (quarterly, converted to annually) or human error during data extraction processes technicalities, the analysis reveals that the significant effect of corrupt practices and macro-economic variables (inflation, real interest rate) have an unfavourable effect on FDIs and Nigeria's economic growth. To examine the effect of over-reliance on Oil/Gas instead of other critical sectors such

as manufacturing and construction: We presented in Table 4.3 FDI inflow into these sectors, where FDIo/g, FDIman and FDIcon variables are stationary with intercept but not trended.

Table 4.3: Unit Root Test

Variables	**ADF test Stat**	**Critical Value**			**Rend and Intercept**	**Order of Integration**
		1%	5%	10%		
LOG(RGDP)	-6.755584	-2.5838	-1.9428	-1.6172	None	1(1)
LOG(POP)	-7.258258	-2.5838	-1.9428	-1.6172	None	1(1)
LOG(RGFCF)	-5.00403	-2.5838	-1.9428	-1.6172	None	1(1)
LOG(FDIo/g)	-4.613967	-3.4885	-2.8868	-2.5801	Intercept	1(1)
LOG(FDIMan)	-4.985021	-3.4885	-2.8868	-2.5801	Intercept	1(1)
LOG(FDITel)	-3.581674	-3.4885	-2.8868	-2.5801	Intercept	1(1)
LOG(top)	-3.79ss1040	-2.5838	-1.9428	-1.6172	None	1(1)
ECM(-1)	-8.016672	-3.4880	-2.8865	-2.5799	Intercept	1(0)

Source: *Authors Computation Using Eviews (10.0, 2020).*

From the unit root test result, it was obvious that the explanatory variables are integrated of the same order with the dependent variable (RGDP) which suggests that the variables are co-integrated. To solve the co-integration problem we subject the generated residuals to the unit root test. The result shows that ECM (-1) is significant at 1%, 5% and 10% critical value which means a long-run disequilibrium in the model. Thus, indicating the importance of inclusion of ECM (-1) in the regression model.

Table 4.4: Regression Result

Variable	**Coefficient**	**t-Statistics**	**Std Error**	**Prob.**
LOG POP	0.482807	2.533185	0.190593	0.0127
LOG RGFCF	0.023529	0.291797	0.080635	0.7710
LOG FDIOg	-0.045562	-0.975278	0.046717	0.3315
LOG FDIMAN	0.035325	0.740317	0.047716	0.4607
LOG FDICon	0.232268	4.024842	0.057709	0.0001
LOG(TOP)	-0.046174	-0.500529	0.092251	0.6177
C	9.210445	13.70093	0.672249	0.0000
ECM(-1)	0.042057	0.427322	0.098419	0.6700

R-Square = 0.836562; Adjusted R-Square = 0.826255; Durbin-Watson Stat = 2.111891.

Source: *Authors Computation Using Eviews (10.0, 2020).*

The regression result presented in Table 4.4 shows that labour force (L) measured with the population between the ages 15 and 64 as a percentage of the total population (POP), capital stock (K) measured with real gross fixed capital formation (RGFCF), foreign direct investment

into-manufacturing (FDIman) sector and foreign direct investment into construction (FDIcon) sector have positive relationship effect on economic growth (RGDP) in Nigeria with t-value of 2.533185 and 4.024842 respectively while RGFCF and FDIman exhibit insignificant positive effect on Nigeria's economic growth with t-values of 0.291797 and 0.740317 respectively. Hence, a percentage increase in labour force (proxy; POP), capital stock (proxy; RGFCF), FDIman and FDIcon causes 48%, 2.4%, 3.5% and 23% increase in economic growth (proxy; RGDP) in Nigeria respectively.

However, FDIo/g and trade policy (proxy; TOP) have a negative effect on Nigeria's economic growth (proxy; RGDP) with t-values of -0.975278 and -0500529 respectively. These suggest that a percentage decrease in FDIo/g and TOP cause a 4.5% and 4.6% decrease in economic growth in Nigeria *ceteris paribus*. The measure of the goodness of fit, R^2, shows that the explanatory variables explain more than 80% of total variations in the real GDP in Nigeria. Our result also shows no presence of serial autocorrelation (DW=2.11) with the dependent variable (RGDP) while the rate of adjustment to equilibrium is 0.042057 with an insignificant t-statistic that stood at 0.427322. In addition, the pairwise Granger causality Test result in the study presented in Table 4.5 shows that the assumption of a null hypothesis that "FDI into Oil/Gas, manufacturing and construction does not granger cause economic growth (proxy; RGDP) is rejected.

Table 4.5: Granger Causality Test

Null Hypothesis	**F-Statistic**	**Prob.**
LOG FDIo/g does not granger Cause LOG RGDP	6.45953	0.00221
LOG FDIman does not Granger Cause LOG RGDP	10.7358	5.4e-05
LOG FDIcon does not Granger Cause LOG RGDP	16.9791	3.6E-07

Source: *Authors Computation Using Eviews 10.0, (2020).*

However, since we are also interested in the direction of causality between foreign direct investment into Oil/Gas (FDIo/g), Manufacturing (FDIman), construction (FDIcon) sectors and Nigeria's economic growth (proxy; RGDP) which serve as the variables of interest in the study, the Pairwise Granger causality test result on FDI were picked from the entire causality test result and presented in Table 4.5 for simplicity. Hence, from the result, it is evidenced that foreign direct investment into Oil/Gas (RGIo/g), manufacturing (FDIman) and construction (FDIcon) sectors cause Nigeria's economic growth (RGDP). Thus, the result suggests unidirectional causation running from FDIo/g, FDIman and FDIcon to economic growth (proxy; RGDP) in Nigeria.

Discussion of Findings

The study has proved that unfavourable environmental factors affect the inflow of Foreign Direct Investments hence an impediment on Nigeria's economic growth in various dimensions. This is evidenced especially with the inclusion of macroeconomic variables indicators such as inflation rate, interest rate, exchange rate and inflation rates which are important components of investments across borders. For the effect of political instability on the FDIs inflow and Nigeria's economic growth, the t-statistics indicated a -2.790534 degree of negativity. Even the coefficient value is put at negative -1.233909. A clear indication that Political instability alongside macroeconomic volatility (RINTR) negativity and significantly effects the inflow of FDIs for Nigeria's economic growth. The study is in line with that of Khan and Mashque (2013). They concluded that most of the political risk indicators have negative relationship with FDI for the worst as whole and the high-income countries. But the relationship was strongest for the upper middle-income countries.

For corrupt practices, the effect of inflation on FDI inflow remains topmost with t-statistics of a 9.847325 although positive. Even though corruption (CRPINDX), Inflation (INF) and Real Interest (RNTR) have a positive sign against the expected negative sign which may be as a result of the nature of quarterly or human and technical error during the data generation process. The fact remains that their significant influence them on FDI is a strong evidence which shows that corrupt practices and other macroeconomic volatility (i.e. inflation and real interest rate) have been another source of a disincentive to FDIs inflow and effects on Nigeria Nigeria's economic growth. The study is in line with that of Tristan (2017), who's findings revealed that corruption had negative influence on FDI inflow.

On the examination of the influence weak institutional/legal framework for property rights protection of foreign investors, we notice a significant positive effect with t-statistics is (2.131459) on inflow of FDI. This indicates a positive effect of legal framework on FDIs inflows and Nigeria's economic growth. This is evidence that norms, rules, regulations, ordinances as well as regulatory institutions that regulates and implement these legislations p-,lare strong indicative factors, for the inflow of FDIs and Nigeria's economic growth.

The study is in line with those of Herrera, Dearce & Escribano, 2014; Godiness & Liu, 2015 in their study assert that bureaucratic procedures, institutional voids and corruption are indicated as limiting factors for attracting FDI inflow. Also The study is in line with those of

Fredrick & Manasseh, (2004) who's study identified Legal/institutional framework and found that they affect the inflow of foreign investment and economic growth.

On the degree to which FDIs inflow into critical sectors of (Oil/Gas, manufacturing and construction sectors) affect the growth of Nigeria Economy. In order to have a robust result, we added other moderating macroeconomic variables such as capital stock, (k) total youthful population proxies by labour force (L) as well as trade openness (TOP). The result indicated that total population as proxies by labour for a (PoP) (L) and FDIs into construction sector (FDIcon) exhibit significant positive effect on Nigeria's GDP growth (RFDP) with e-value of 2.533183 and 4.024842 respectively while Real Gross foreign capital formation (RGFCF) and FDIMan exhibits a significant positive effect on Nigeria's economic growth; Thus e-view of 0.291797 and 0.740317 respectively. Hence, a % increase in labour force (proxies: PoP), capital stock (proxies RGFCF), FDIman and FDIcon cause a 48%, 35% and 23% increase in Nigeria's economic growth respectively. However, FDIo/g and trade policy (proxies pop) have a negative effect on Nigeria's economic growth. Therefore, it is evidenced that FDIs into Oil/Gas, manufacturing and constructing sectors cause Nigeria's economic growth.

The causality test proves positive and significant relationships and the regression result indicated that the foreign investments into these sectors have significantly and positively affected Nigeria's economic growth. The result is in line with the work of Abeid et al, 2016) who, in their study at investigating the effect of FDI on GDP, a comparative study of South Africa and Mozambique covering a period of 1996-2014 and using variables as labour force, human capital and gross fixed capital formation. His research proved a insignificant but positive relationship with economic growth.

Major Findings

For the first objective, which is on the effect of political instability on FDIs inflow and Nigeria's economic growth" The analysis revealed that political instability and Real Exchange Rate (RER) significantly and positively affects inflows of Foreign Direct Investments. The study also revealed that political instability in addition to high inflation remains top in its negative effect on the inflow of FDIs and Nigeria's economic growth. The second objective is on "the effect of corrupt practices on FDIs inflow and Nigeria Economic Growth". The analysis revealed that corrupt practices in addition to other macroeconomic volatilities (inflation and real interest rate) have significant negative effects on the inflow of foreign direct investments and Nigeria's economic growth. For the third objective which is on the "Effect of

legal/institutional framework on the inflow of FDIs and Nigeria's Economic Growth" The analysis revealed a positive effect of legal/institutional framework for property right protection of foreign investors. This is indicative that a strong legal framework for property right protection is capable of positively affecting the inflow of foreign direct investments for enhanced Nigeria's economic growth. For the fourth objective which is on the "Effect of Over-reliance on Oil/Gas instead of other critical sectors of FDIs inflow i.e manufacturing and construction and Nigeria's economic growth" the analysis suggest that FDIs into manufacturing and construction sectors has real positive relationship on economic growth; while Real Gross Fix Capital Formation (RGFCF) and the manufacturing sector has significant positive effect on Nigeria's economic growth. However, the granger causality test revealed unidirectional causation. In essence, foreign direct investments into oil/gas, manufacturing and construction sectors have a positive significance on Nigeria's economic growth. For the fifth objective on the "effect of poor disaggregation of FDIs components (Equity capital, Asset/investment, Reinvestment Earnings) and Nigeria's economic growth" the analysis result revealed that, while asset/equipment and reinvestment earnings have a positive and significant effect on foreign direct investment inflow and Nigeria's economic growth; Equity capital has a negative effect on foreign direct investments and Nigeria's Economic Growth.

Conclusion and Recommendations

Conclusion

The following key conclusions were made:

i. Political instability such as (military coup, political crises, election violence and constant change in government policies) in addition to other moderating variables such as real exchange rate negatively influence the inflow of foreign direct investment in Nigeria, hence its negative effect on Nigeria's economic growth; This is evidenced that when there is political instability in the Nigerian polity, and most especially if this instability affects the international exchange rate between Nigeria and the international community, this will negatively affect the inward flow of foreign investors into the country such that impact on Nigeria's economic growth.

ii. Corrupt practices such as (bribery, favoured position, cutting corners, bureaucracy on investment procedures). According to the result even though it is showing positive sign against the expected negative signs. The moderating variables such as inflation and real interest rate proved that when a country's fortune and behaviors lie on bribery and

corruption, favoured position, cutting corners and inflicted bureaucratic tendencies for foreign investment become the order of the day, the economic policies coupled with the rate of inflation and interest rate at above-average level shall negatively and significantly affect the inflow of FDI and Nigeria Economic growth.

iii. Weak institutional/legal framework for property right protection of foreign investors such as legislations, ordinances, norms, regulations, institutions and regulatory agencies negatively influence the inflow of FDIs and Nigeria's economic growth. This means that when there exist legislation, ordinances, norms and/or regulations that are weak or probably not adhered to in the protection of the property right of foreign investors; also when government institutions and regulatory agencies who are supposed to enact and monitor these laws are weak, the foreign investors feels that their property right is not protected and hence they stay away of their investments. The effect is hence negative on the Nigeria's economic growth.

iv. Foreign direct investment inflow to manufacturing and construction sectors aside Oil/Gas has a positive effect on Nigeria's economic growth, while FDIs into Oil/Gas sector negatively and significantly affects Nigeria's economic growth. However, the causality test has proven that foreign direct investments into oil/gas, manufacturing and construction sectors, has unidirectional causation for Nigeria's economic growth. Therefore, it is evidenced that over-reliance on Oil/Gas is capable of causing negative economic growth. However, when FDIs are diversified into other critical sectors like construction and manufacturing in addition to the existing investment in the oil/gas sector, brings about an overall positive and significant effect on Nigeria's economic growth.

Recommendations

i. The Federal government should provide policies that bring about political stability. This can be achieved through advocating for a virile democratic principles and values among politicians that form ideologies for political parties. This is necessary because a stable political environment enhances and encourages foreign investors with the multiplier effect of propelling Nigeria's economic growth.

ii. The government should proactive in taming corrupt practices on investment processes. This can be achieved through strengthening its Anti-graft agencies i.e. Independent Corrupt Practices Commission (ICPC), Economic Financial Crime Commission (EFCC), Nigeria Financial Intelligence Agencies (NFIA) and ensure that its potentials are not built on

individuals but institutions and law. This will bring sanity on the corrupt impediments to FDIs inflow and enhances Nigeria's economic growth.

iii. The government should strengthen its fiscal policies at protecting the property right of foreign investors. These policies should revolve on government's business regulatory agencies like the Nigeria Investment Promotion Commission (NIPC), Standard Organization of Nigeria (SON) as well as legislations from the National and States assemblies. These agencies should be firm in the enforcement of applicable law with constant supervision to ensure that the property rights is protection of foreign investors are protected for an enhanced FDIs inflow and Nigeria's economic growth.

iv. The Nigeria Investment Promotion Commission (NIPC) as part of its mandate should provide a veritable platform for which FDIs are diversified into the manufacturing and construction sectors as evidenced in some developed countries i.e Germany, Singapore, Russia and Japan. This is because the skewness of FDIs into oil/gas is not sustainable in the long-run.

Limitations and Suggestion for Further Studies

The limitation of this study stemmed from method of data collection where the CBN harvested biannual (quarterly data) need to be compiled into annual data for the thirty years under review. Hence, this may not be achieved without human error. The study also focus on some of the few key unfavourable environmental factors as it affects inflow of foreign direct investment and Nigeria's economic growth in three decades. However, this open up another avenue to explore further studies on some emerging environmental factors militating on the inflow of FDIs such that impedes Nigeria's economic growth

REFERENCES

ABD (2010): Ken Indicators of FDI Inflow in Arica, An Annual Report of Africa Development Bank 2010.

Abeid, A. R, Zhi, H, J. Yapatake, K. T. P 2016). Effect of Foreign Direct Investment on GDP; *A comparative study of Mozambique and South Africa.*

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" 2000. pp.5–25. Milan, Italy.

Agada, G.O. and Okep, T.J. (2012) Determination of Risk of Foreign Investment *Journal of Economic and Social Research Vol. 1 No. 2 Abaci Publishers.*

Akinlo A. E (2004). *Foreign Direct Investment and growth in Nigeria* "An empirical investigation" J. Policy Models, vol. 26, pp. 716 – 723.

Alabi, K.O. (2019) The Impact of Foreign Direct Investment on Economic Growth: Nigeria experience. *Open journal of Applied science, 2019a,372,385*

Aremu, J.A. (1997). *"Foreign direct investment and performance".* Paper delivered at a workshop on Foreign Investment Policy and Practice organized by the Nigerian Institute of Advanced Legal Studies, Lagos on 24 March.

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.

Bayraktar, N. (2015) Importance of Investment Climate to inflow of Foreign Direct Investment in Developing Countries. *Business and economic research 5 (1), 24-50 doc 10.5296/ber-v.5il. 6762 (crossref) (Google scholar)*

Bestly T., & Person, T. (2011) The Logic of political violence. *The quarterly journal of Economics, 126(3), 1-62.*

Blundell-Wignall, A., Roulet, C., (2017) *foreign direct investment, corruption and OECD Anti-Bribery convention,* OECD working paper in international investment 2017/01, OECD Publishing, Paris, htt://dxdoci.org/10.1787/gcb3690c-en.

Brown, C.V. (1962). "External economies and economic development".*The Nigerian Journal of Economic and Social Studies, 4(1): 16–22.*

CEIC 2018: *Computer and Enterprises Investigation Conference.* A Global Database provides an expansive and accurate data insight into both developed and developing economies around the world. Accessed through www.ceicdata.com

Djamkov, 5. Porta, R.L., Lope3 de Silanes, f, & Shleifer. A. (2002) the regulation of entry. *Quarterly Journal of economics 117 (1) 1-37. Doilo. 1162/003355302753399436 (Croosref) (web of science) (Google scholar).*

Dunning, J.H. & Hadan (2008) *Multinational Enterprises and the Global Economy (2nd ed) Cheltenham, UK: Edward Elgar.*

Edwards, S.(1990). *Capital flows, foreign direct investment and Debt-Equity swaps in developing countries (No. 3497).* NBER Working paper. Cam bridge.

Egwaikhide, C. Imoudu (2012) The Impact of Foreign Direct Investment on Nigeria Economic Growth 1980-2009; Evidence from Johnsen's Cointegration Approach, *Internal Journal of Business and Social Science Vol. 3 No. 6.*

Ekpo, A.H. (1995). *"Foreign direct investment in Nigeria:* Evidence from time series-data". CBN Economic and Financial Review, 35(1): 59–78.

Everhart S.S. (2010) *The resource courage and private investments a theoretical model of the impact of corruption. Education, Business and Society*: Contemporary middle eastern issues.

Gasanova, A, Medvadeu, A.N, Komotskiy, E.L, (2017) *The assessment of corruption impact on inflow of foreign direct investment,* AIP conference proceedings, 1836, 02001 (2017); https://dociorg/10.-1062//1.4981951.

Godinez R. Liu, L., (2015) Corruption distance and FDI inflows into Latin America, International Business Review, 24 (1), pp. 33-42

Gutierrez, K.P., (2015) *The effect of corruption on FDI in Argentina:* Has corruption acted as a negative determinant discouraging FDI? Universitat Autonoma de Barcelona.

Haksoon (2010) political stability and foreign direct investment. *International journal of economics and finance 2: 59-71*

Hannon, P., & Reddy, S. (2012) *China edges out US. A tip foreign investment draw amid Dedine, Retrived March 2020*

Hasan, G. Salim, H. R. 2017) Linkages between Foreign Direct Investment, Domestic Investment and Economic Growth, Evidence from Nigeria. *International Journal of Economics and Financial Issues, 2017, 7 (3), 97-104.*

Hassan M., Rahman m M.N., Igbal, B.A, (2017) corruption and FDIs inflow: evidence from India and China. *Mediternean Journal of Social Science, 8(4) pp, 173-182*

Hussain Angulu Abubakar (2021): "*Effect Of Unfavourable Environmental Factors On Foreign Direct Investments Inflow (FDII) and Nigeria's Economic Growth"* Unpublished Ph.D Thesis, Department of Business Administration, University of Abuja, Abuja).

Imoudu, E.C. 2012): The Effect of Foreign Direct Investment on Nigeria's economic growth: 1980-2009: Evidence from Johansson's Cointegration Approach: International Journal of Business and Social Science Vol. 6, 122-34.

Khan, Akar Mashque (2013) The impact of political risk on foreign direct investment. MPA paper No 47283. Available http://mpra.ub.uni-muenchen.de/472831/ (accessed on 20 April, 2020).

Lucas, R.E (1988) "In the mechanics of Economics Development Journal of Monotory Economics 22:3-42 doi:10.1016/0304-3932 (88 901-168-7)"

Morisset, J. 2010), *Foreign Direct Investment in Africa Policy also Matters*, Transitional Corporations, 9 (2), 107 – 125.

Nanda, N. 2011) Growth Effects of FDI is Greenfield Greener? *Perspectives on Global Development & Technology , 8 (1), 26 – 47. doi:10.1163/156914909 X 403171.*

Ndikumana, L. &Verick, S. (2008) *The Linkage Between FDI and Domestic Investment* Unraveling the Development Effect of Foreign Investment in Sub-Saharan Africa. Development Policy Review, 26 (6), 713-726.

Obinna, O.E. (1983). *"Diversification of Nigeria's external finances through strategic foreign direct investment".* Nigerian Economic Society Annual Conference Proceedings, Jos, 13-16th May.

Odozi, V.A. (1995). *An Overview of Foreign Investment in Nigeria 1960-1995. Occasional Paper No. 11.* Research Department, Central Bank of Nigeria.

Ogiogio, G.O. (1995). *"Planning horizon, government expenditure and economic growth in Nigeria".*In A. Ariyo, ed., Economic Reform Macroeconomic Management in Nigeria. Ibadan: The Centre for Public/Private Cooperation.

Oyinlola, O. (1995). "External capital and economic development in Nigeria (1970–1991)".*The Nigerian Journal of Economic and Social Studies, 37(2&3): 205–22.*

Peter, Kurecic, Filip Kokotovic, 2017 *The relevance of Political Stability on FDI:* A VAR Analysis and ARDL Models for Selected Small, Developed, and Instability Threated Economics. Licensee MDPL, Sasel Switzerland (https://creativecommons.org/lincenes/by/4.01).

Ratha, D. (2010) *Complementary Between Multilateral Lending and Private Mows to Developing Countries:* Some Empirical Results, Public Policy, 24(5) 309-318.

Romer P.M. (1986; 1994) The Origin of "Endogenous Growth" The journal of Economic perspective 8 (i) 3-22 doi:10.1257/jep.8.1.8

Transparency International (2012) Anti-corruption Perception index for Nigeria 2012

Tristan, C., (2017) *The effect of corruption on foreign direct investment inflow: evidence from a panel of Asia-Pacific countries.* The changing face of corruption in the Asia pacific, current perspectives and future challenges, 2017, P.P 35-55

Ugwanyi, U. & Odigbo, B. (2012) public relation strategies for managing religious, ethnic and social conflict for the promotion of foreign direct investments (FDI) and development in Nigeria. *European journal of business and management, 4(17),40-52.*

Vasconcellos, G.M. & Kish, R.J. (2013). *Cross-Boarder Mergers and Acquisitions* In Encyclopedia of Finance (Pp. 515 – 523) Springer Us.

Wang, M. & Wong, S. (2009) *What Drivers Economic Growth? M&A and Greenfield Direct Spillovers:* The Case of Greek and European FDI in Bulgaria. Review of Development Economics, 15 (2), 326 – 339.

Woo, J.Y. (2010), The impact of corruption on a countr FDI attractiveness: A panel data analysis, 1984-2004. Journal of International and Area Studies, 17(2), PP 71-91

World Bank (2010) *Statistical Manual, National Accounts, GDP final output.* Achieved in 2010 at way back machine and retrieved October 2010.

World Bank (2014) *Exploring External Finance for Developing Countries Vol. 1*(Analysis and Summary Implication Table) Washington DC.