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Dr. A.U. Farouk

Department of Accounting and Finance,

Federal University Gusau, Zamfara State.

elfarouk105@gmail.com

+2348069393824

FOR MORE INFORMATION, CONTACT

The Editor-in-Chief on +2348067766435

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THE MULTIDIMENSIONALITY FOREIGN DIRECT INVESTMENT'S IMPACT ON THE ECONOMY

Emmanuel Imuede Oyasor

Department of Accounting Science,
Walter Sisulu University, Mthatha, South Africa.
emmanueloyasor247@gmail.com

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Abstract

Foreign direct investment (FDI) has been a crucial inflow source for many economies. The contribution of FDI to growth has continued to generate extensive debates. The debate centered on channels through which FDI may enhance technological diffusion through spillover effect of knowledge and new capital goods to better human conditions. In this direction, some earlier literatures have also argued that the contribution of FDI largely dependent on the circumstances in the recipient countries. The study follows the endogenous growth model theory and eclectic theory to demonstrate the multidimensionality impacts of FDI inflows on gross domestic product (GDP), human capital development/utilization (HCDU), national revenue generation (NRG), gross fixed capital formation (GFCF) and gross national savings (GNS), based on published information over the period of 1982 to 2022. We found that FDI have significant effect on GDP; FDI do significantly affect on human capita development/utilization; FDI has no significant impact on NRG; FDI has no have no significant connection with gross fixed capital formation and FDI have significant effect on gross national savings in Nigeria.

Keywords: Foreign direct investments, Economic growth, Human capital development, National revenue generation, Gross fixed capital formation, Gross national savings.

1.0 Introduction

The World Bank (2021) highlight crucial policies that attract and facilitate Foreign Direct Investment (FDI) entry in enhancing investment promotion capacity. The policies results in spillover effects through supply chain linkages by bringing in new capital, technology, and knowledge into business practices, enabling local firms to better withstand the onslaught of global, scalable firms. Several firms' interacting within a supply chain affects each other's productivity (Serpa & Krishnan, 2018) Thus, countries that gain from productivity improvements accrued from FDI inflow are more likely to pursue policies favouring economic openness. Extant theory posits the linke between FDI and growth. Solow (1956) notes that because of diminishing returns on capital, the influence of FDI on growth is comparable to that of domestic investment. The neoclassical growth model posits that FDI enhances the capital stock and stimulates economic growth in the host country by promoting capital formation (Brems 1970). FDI enhances economic growth by facilitating technology transfer from developed nations to developing ones (Romer, 1994). FDI plays a role in economic growth in the short term as countries transition toward a new steady. The endogenous growth theory asserts that FDI drives economic growth through capital formation and technology transfer. Moreover, the training provided for the workforce and management improves knowledge and strengthens human capital. Such accumulation of human capital and technological advancements are vital factors influencing the spillover effects of FDI on the host country's growth (De Mello 1997, 1999).

Nigeria is West African most populous country with 219 million population size (and one of the most developed in the region in gross domestic Product with N196.181Trillion (US\$470.7

billion) as at 2022 (World Bank- National Accounts Data 2023). It is one of the economies with great demand for goods and services and has attracted some foreign direct investment (FDI) over the years. Despite this advantage Nigerian economy is still dependent on its oil sector which provides almost 97.5 per cent of foreign exchange earnings and approximately 80 percent of budgetary revenues (Anyaehe & Areji, 2015; Adelokun & Kanayo, 2022 United Nations Population Division Data 2023). Regardless of the advantage of population, good environment and land mass; the Nigerian economy still encounter some economic problems in power supply, infrastructural facilities and socio-economic challenge (Morgan et al. 2022).

The highly relative advantages of FDI as a productivity enhancing package is now widely acknowledged and evidenced in the new attention given to private sector economy to drive for FDI especially in developing economies. For a developing country like Nigeria, the inflow of foreign capital may be significant in not only raising the productivity of a given amount of labour, but also allowing a large labour force to be employed (World Bank 2023). Domestic consumers may also benefit from FDI inflow in that when the investment is cost reducing or product improving in a particular industry, consumers of the product may gain through lower product prices or better-quality products, hence another industry that uses this product benefit from the lower prices. This creates profits, savings and in the case of plough back stimulates expansion in the industry. The most frequent emissary of FDI is the MNC with some types of comparative advantages and the best way to retain the control and to improve the firm's standing and profit is to engage in FDI (Ajide, 2023; UNCTAD, 2024).

The underdeveloped nature of the Nigerian economy that essentially hindered the pace of her economic development has necessitated the demand for FDI into the country. Aremu (1997), noted that Nigeria as one of the developing countries of the world, has adopted several measures aimed at accelerating growth and development in the domestic economy, one of which is attracting FDI into the country. FDI is designed to improve the recipient economies thereby enhancing economic growth and development, it is in this view that many developing countries like Nigeria attracts foreign direct investor with the hope of strengthening their economy.

World Bank (1996) describes FDI as an investment made to acquire a lasting management interest (normally 10% of voting stock) in a firm or an enterprise operating in a country other than that of the investor defined according to residency. The International Monetary Fund (2009) opines that FDI investment reflects the aim of obtaining a lasting interest by a resident entity of one economy in an enterprise that is residents in another economy. The economic growth of any nation depends on the quantity and quality of production factors. Investment, otherwise termed capital, is major production factor. For an economy to grow, it must develop the habit of saving and investing to promote capital formation. The importance of savings and investment are crucial elements of macro-economic growth. However not many countries are rich enough to mobilize adequate internal savings for investment purposes. In the developing countries like Nigeria there is a wide gap between domestic saving and domestic investments, and the economy can only develop or move from a lower orbit of growth to a higher one if the gap between savings and investment is bridged. Bridging can only be done from outside the gap economy, if the economy is friendly enough to attract FDI (Moghalu, 2009).

Razzaque et al. (2017) found that a 10 percent local currency depreciation can lead to a 3.2 percent increase in economic growth. The trade balance, reflecting a country's economic connectivity with the global market, also impacts growth. Blavasciunaite et al. (2020) revealed

that trade balance negatively affects growth, regardless of whether there is a surplus or deficit (Burlea-Schiopoiu et al., 2021; Ilyas et al., 2023). Dirks and Schmidt (2023) noted that technology transfer creates more jobs, improves production processes, and, consequently, leads to higher economic growth. Developed nations, particularly G20 countries, significantly support the economic development of emerging economies (Zamani & Tayebi, 2022). This result supports the theoretical perspective that foreign direct investment brings technology and expertise to the recipient country, enhancing its operations and marketing strategies. Yang (2024) finds that FDI positively impacts productivity and benefits both OECD and non-OECD countries. Economic freedom plays a significant role in attracting FDI, in OECD countries, and contributes to economic growth in non-OECD countries. However, economic freedom alone does not guarantee strong economic growth in OECD countries but enhances growth in non-OECD countries.

In Nigeria, Umah (2007) show that several reforms resulted in the adoption of liberal and market-oriented economic policies, the stimulation of increased private sector participation and elimination of bureaucratic obstacles which hinders private sector investments and long-term profitable business operations in Nigeria. Shiro (2009) noted that since the enthronement of democracy in 1999, the government of Nigeria has taken several measures necessary to woo foreign investors into Nigeria. Most reviewed literature looked at FDI inflow on gross domestic product, manufacturing capacity/utilization, market capitalization with little research on gross fixed capital formation, national revenue generation and gross national savings. These measures include the repeal of laws that were inimical to FDI growth, enactment of friendlier investment laws, various over sea trips for image laundry by the presidency among others (Patterson and Sander (2017), Nsofor and Samal (2016), Adaramola and Obisesan (2015), Ugwuegbe, Modebe and Onyeonu (2014), Eniekezimene (2013), Onyekwena and Onakoya (2012). This work adds gross fixed capital formation, national revenue generation and gross national savings to economic variables that respond to FDI in Nigeria. The study sets to examine some specific such as to (a) evaluate impact of FDI on the gross domestic product in Nigeria (b) access the impact of FDI on human capital development and capacity utilization in Nigeria (c) demonstrate the effect of FDI on revenue generation in Nigeria (d) reflects how FDI affect gross fixed capital formation in Nigeria and (e) show the effect of FDI on gross national savings in Nigeria.

For the aim, the paper applied the granger causality techniques to show how FDI affect the gross domestic product, human capital development/utilization, national revenue generation, gross fixed capital formation, and gross national savings. We found that economic growth variables used were positively and significantly affected by FDI inflows. We find that FDI's impact is multidimensional. The study recommends among others image building via building political stability, improving investment policies, addressing the security challenges, upgrading infrastructures and advertisement of investment opportunities to attract further FDI inflows into the key areas of the economy.

2.0 Literature review

There have been several debates on the impact of FDI on "economic growth. Many growth theories stress the relevance of capital inflows in developing economies as they bridge the saving-investment gap (Oyegoke, 2021; Adedokun et al., 2022). Hence, due to limited domestic capital to spur growth, foreign capital inflows are critical to enhancing human capital formation and sustainable human development. A rise in FDI could engender efficiency in developing countries, since the need to stimulate inward FDI flows by these countries might necessitate

increased investment in human capital. In view of the attention given to the role of FDI. Empirical studies have so far yielded mixed results, as the FDI seems to be country specific and impact positive, negative or insignificant, depending on the economic, institutional and technological conditions in the recipient countries.

Berkeley (1953) asserts that the level of human capability is a key source and measure of economic growth process. Thus, improved human capital is critical to attaining sustainable development goals (SDGs). Stobaugh et al. (1972) for the US and Jordan and Vahlne (1981) and SOU (1981) for Sweden, concluded that FDI had positive effects on home country exports and employment, because the establishment of foreign affiliates typically resulted in large increases in foreign market shares and exports of intermediate products to affiliates. Oseghale and Amonkhienan (1987) found that FDI is positively associated with GDP, concluding that greater inflow of FDI will spell a better economic performance for the country. Blomstrom et al. (1994) examine a sample of 78 developing countries in a cross- country analysis, grouping the countries in two groups, high-income developing countries and lower income developing countries. The results show a positive relationship between FDI and economic growth for the higher income developing countries, on the contrary a negative effect of FDI on economic growth for the lower income developing countries thus, the deduction from the authorities is mixed.

Dunning (1994), however, notes that FDI is attracted to serve as a means of augmenting Nigeria's domestic resources to effectively carryout her development programmes and raise the standard of living of her people. According to Bello (2003), remarks that privatization was also adopted, among other measures, to encourage FDI in Nigeria. This involved transfer of state-owned enterprise (manufacturing, agricultural production, public utility services such as telecommunication, transportation, electricity and water supply) companies that are completely or partly owned by or managed by private individuals or companies. Umah (2007) adds that qualified foreign firms were given open arms to take over most of these establishments to enhance efficiency. This is because such foreign firms are reported to possess the managerial acumen and technical prowess needed to resuscitate and sustain the weak industries in Nigeria. However, it is important to note that despite the perceived positive impacts of FDI, globalization and trade liberalization to developed economies, the benefits are still far from being realized by most developing economies like Nigeria. Balasubramanyam et al. (1996) investigates 46 developing countries and proves that FDI contributes positively to economic growth.

Zhang (2001) examine the empirical causative between FDI and economic growth in Nigeria and argued that FDI has positive growth impact that is similar to domestic investment along with partly alleviating balance of payment deficit in the current account. He opined that via technology transfer and spill over efficiency, the inflow of FDI might be able to stimulate a country's economic performance. Ayanwale and Bamire (2001) assessed the influence of FDI on firms' level productivity in Nigeria and report a positive spillover of foreign firms on domestic firms' productivity. In addition to the direct capital financing it supplies, FDI can be a source of valuable technology and know-how while fostering linkages with local firms, which can help jumpstart an economy (Melnik et al., 2014). Lall (2002) opined that FDI inflow affects many factors in the economy and these factors in turn affect economic growth. Ewe-Ghee Lim (2001) summarized recent arguments and findings on FDI and its correlation with economic growth focusing on literature regarding spill over from FDI and found that while substantial support exists for positive spill over from FDI, there is no consensus on casualty.

Obwona (2001) noted in his study of the determinants of FDI and their impact on growth in Uganda that macroeconomic and political stability and policy consistency are important parameters determining the inflow of (FDI) into Uganda and that FDI affects growth positively but insignificant. Asiedu and Elizabeth (2002) estimated the impact of FDI on trade and economic growth in 66 developing countries. The results from the cross-sectional data suggested there is a positive relationship between FDI and GDP.

Lipsey (2004) concludes that outward investment does not seem to be related to any large movement of aggregate production capacity from the home country, although there may be important differences depending on the type of investment project, target country and technology. Hence, while the overall prediction is that the home country does not lose exports or output, it may be possible to find individual cases where the home country is left worse off. Moreover, it is important to note that all of the evidence discussed above is drawn from studies focusing on manufacturing. Services have emerged as the leading industry for new FDI, but there are very few studies exploring to what extent outward investment substitutes or complements home country activities. Durham (2004) in panel data analysis for the sample of 80 countries for the period 1979-1998 argues that FDI has a positive effect only for countries with developed financial markets and strong institutional development.

Collier (2006) emphasizes that a significant increase in FDI may contribute to push up physical capital inclusive of technical change leading to higher economic growth. Without such a push, many countries may stagnate for decades. Efficient protection of civil and property rights extended economic and political freedom and low level of corruption have been an indicative associated with higher prosperity. Noormamode (2008) explains that the social and economic situation of the host country matters to be beneficiary from positive effects of FDI. Finally, attracting FDI requires a clear and coordinated strategy that focuses on creating an attractive business environment, political stability, market size, incentives offer, control of corruption, rule of law and regulatory quality, develop skilled workforce, investment in infrastructure, and building strong international relationships.

Fuest and Riedel (2009) highlighted that most poor populations in developing countries are not taxed. Therefore, FDI inflows can contribute to revenue mobilization by broadening the taxpayer base and generating more tax revenue by supporting investment and employment opportunities. FDI inflows directed toward those sectors are likely to generate royalties, which might be large enough. Khan (2007) asserts that FDI has emerged as the most important source of external resource flows to developing countries over the years and has become a significant part of capital formation in these countries, though their share in the global distribution of FDI continued to remain small or even declining. Adegbite (2009) also argued that the frequent and continuous decline of the foreign Multinational Corporations (MNC) from Nigeria may be a reaction to adverse economic conditions occasioned by the global and local business environment.

Ehrhart (2011) illustrated that in resource-rich countries, democratic institutions are vital because of their higher levels of transparency, leading to the positive effects of the initial natural-resource rent on domestic tax revenues. Furthermore, given that most FDI is directed to natural-resource exploitation activities in developing countries, it can be inferred that higher levels of transparency can positively impact the income that FDI can generate. An excellent institutional environment will attract more foreign investors and ensure their effective participation in tax revenues. The role of FDI in promoting capital formations and national

savings. Mahmood (2012) find a positive effect of FDI on economic growth, arguing that FDI has a greater impact compared to local investments, others present varying outcomes. Dirks and Schmidt (2023) investigated how political instability affects economic growth and find that GDP can decrease by 4 to 7 percent five years after a political shock.

Solomon and Eka (2013) investigated the empirical relationship between FDI and economic growth in Nigeria. The work covered a period of 1981-2009 using an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The result of the OLS techniques indicated that FDI has a positive but has insignificant impact on Nigerian economic growth for the period under study.

Fowowe and Shuaibu (2014) emphasize that FDI can likewise result in poverty alleviation in African countries. FDI could be viewed as the harbinger of economic development. Hence, the worsening case of health conditions and high illiteracy rates might be exacerbated by the insufficiency and ineffectiveness of FDI in most developing countries including Nigeria. While there is a growing need to enhance the operation of inward FDI in Africa for the attainment of sustainable social inclusion and development, the effectiveness of FDI in the host country could be conditional on investment climatic factors, absorptive capacity and host country characteristics (Olasehinde, 2022). Thus, in addition to the exploration of the impact of FDI on human development, ascertaining the two-way causal direction between FDI and human capital (skills, knowledge, and technical know-how are seen as human capital) is vital. Adegbite (2016) observed that some of the globalization policies constitute adverse consequences in most economies because they promote a casino based economic environment, characterized by investment repression which further renders the national governments' monetary policies ineffective. She notes that the evolution of different channels to facilitate FDI's are not unconnected with emerging economic woes and crisis as witnessed lately in Nigeria.

Research by Awan et al. (2018) highlighted how variations in government effectiveness can affect the response of economic growth to changes in FDI. Bekmurodova (2020) finds no direct relationship between FDI and economic growth. Baiashvili and Gattini (2020) explored the mediating role of institutional factors in the relationship between FDI and economic growth and revealed that the impact of FDI is neither automatic nor uniform; it varies significantly across countries, with low-income nations experiencing a stronger effect compared to middle-income countries. The literature on FDI and economic growth is extensive, showing mixed results. Feyisa et al. (2022) employed both fixed and random effects estimations to examine the relationship between various governance indicators and economic growth. Njuguna et al. (2022) notes that FDI improved export facilitations and access to market supplies resulted in an increase in customs-duties revenue. UNCTAD (2023) World Investment Report, shows that the share of FDI of African countries gradually fell from 10% of total inflows to developing countries in 1978–1980 to 3.5% in 1998–2022.

Zhang (2023) notes that FDI increases tax revenues through job creation. In addition, the diffusion of technology and knowledge transfer resulting from FDI could increase productivity in the host country and thus generate income. Indirectly, FDI could result in consumption in two ways: through supply and through demand. First, as FDI contributes to an increase in the production of goods and services offered on the domestic market, it can increase VAT revenues and on the other hand, increased demand for goods and services because increased employment could increase VAT receipts. World Bank (2024) has said FDI in Nigeria remains low because

of limited forex availability, security concerns, and other structural challenges. According to the bank, these challenges have also affected the net withdrawal of equity by foreign investors. While on the other hand, the share of Asia, particularly of South, East and East Asia, increased rapidly driven partly by flows to China. Latin America has also experienced a noticeable decline from its dominant position of the 1970s and early 1980s. Trends varied by country. Good regional growth and resource-seeking investors were the principal forces behind this performance”.

3.0 Methodology

This research work adopts the model of Adigwe, Ezeagba and Francis (2015), Othman, Jafari and Sarmidi, (2014) and Modebe and Onyeonu (2014) with slight modifications.

$$\text{LogGDP}_t = \alpha_0 + \alpha_1 \text{LogFDI}_t + U_t \quad (1)$$

$$\text{LogHCDU}_t = \alpha_0 + \alpha_1 \text{LogFDI}_t + U_t \quad (2)$$

$$\text{LogNRG}_t = \alpha_0 + \alpha_1 \text{LogFDI}_t + U_t \quad (3)$$

$$\text{LogGFCF}_t = \alpha_0 + \alpha_1 \text{LogFDI}_t + U_t \quad (4)$$

$$\text{LogGNS}_t = \alpha_0 + \alpha_1 \text{LogFDI}_t + U_t \quad (5)$$

Where GDP is gross domestic product, “FDI is foreign direct investment, HCD is human capital development/utilization, NRG is national revenue generation, GFCF is gross fixed capital formation, GNS is gross national savings. μ is stochastic error term, α_0 is constants estimate which are not explained by the independent variable, and α_1 's are the estimates of the regression coefficients. The apriori expectations adopted the findings of Adam and Tweneboah (2008), Adigwe, et al. (2015), Mohd and Izhar (2014), Othman, et al. (2014) and Ugwuegbe and Modebe (2014); which all stated a positive significant relationship between the FDI and economic growth variables/parameter indicators. Under this model testings, the descriptive and stationarity testing were done on all the variables and apriori reasoning that the economic growth indicators will flow in the same direction as FDI (Adigwe, et al. (2015); Ugwuegbe and Modebe (2014).

The data generated/collected was subjected to analysis. This study applied granger causality techniques; some analytical steps were followed. The estimations are done in the log-form to obtain the coefficient of the elasticity. Findings with log linear modeling specification are sensitive to functional form (Kalim, 2009) while Layson (1984) argued that log linear is superior to linear form and gives more favourable results. The data engaged for the study are basically from secondary sources from various issues of Annual Statistical Bulletins of Federal Ministry of Finance, National Bureau of Statistics, International Monetary Fund, World Bank national accounts data, covering the periods between 1982 and 2022.

4.0 Results and Discussions

Table 1 presents the Descriptive statistics for the considered variables. The descriptive statistics in Table 1 shows the basic aggregative averages like mean, median and mode for all the observations. The spread and variations in the series are also indicated using the standard deviation. Significantly, kurtosis which shows the degree of peakedness is also shown together with the skewness which reflects the degree of or departure from symmetry of the given series. With all the variables showing an average kurtosis ≥ 2 , there is evidence that they are all platykurtic with almost all the variables showing Jarque-Bera statistics of p-values below 5% level of significance, indicates a normal distribution. Table 2 presents the stationarity tests. The outcome implied that all the variables were found to be stationery at order one (1)

and (3) At the First difference as reported, the ADF Statistics for the respective variables were all negative than the critical values at 10% significance level. The reported P values were all less than 0.05 chosen level of significance for which cause, the Null Hypothesis of the presence of unit root in all the variables is convincingly rejected”.

Table 1: Descriptive Statistics for the Variables

	Mean	Std. Dev.	skew	kurt	jb	pr(jb)
FDI	390.248	443.434	0.857	2.263	4.785	0.0914
GDP	24415.120	31938.850	1.205	3.062	7.997	0.0183
HCDU	2605.374	1653.349	1.453	3.796	12.486	0.0019
NRG	4510.579	6394.893	1.111	2.655	6.953	0.0309
GFCF	2050.590	3948.626	1.442	3.134	11.459	0.0032
GNS	2571.584	3918.322	1.428	3.646	11.785	0.0028

Source: Author (2024)

Table 2: Unit Root Tests for FDI and Economic Development Indicators

Variables	ADF Test Statistics	Critical Values @5%	P-value	Order of Integration
FDI	-6.7727	-2.9604	0.0000	I(1)
GDP	-9.6618	-3.5684	0.0000	I(2)
HCDU	-5.3654	-2.9640	0.0001	I(2)
NRG	-5.4826	-2.9604	0.0001	I(1)
GFCF	-5.9765	-2.9604	0.0000	I(1)
GNS	-4.8177	-2.9604	0.0005	I(1)

Source: Author (2024)

The “study tests five hypotheses according to the variables - GDP, HCDU, NRG, GFCF and GNS as individual regress and FDI as the regressor to the five regressands. The hypotheses defined the effect of the regressor on the five regress and vice versa. Thus, using either of vector auto-regression (VAR) granger causality method or vector error correction (VEC) granger causality method, the results of the model are presented in Table 3. The result for the first null indicates that FDI was able to granger-cause a change in GDP in the long run but the GDP was unable to granger cause a change in FDI significantly. This result shows unidirectional impact from FDI to GDP. The VAR granger effect is shown in Chi-sq of 23.20541 with probability value of 0.0000 which is less than the significance level of 5% and proves that FDI have significant effect on GDP in Nigeria, however GDP was unable to show granger affect with Chi-sq of 3.96108 with probability value of 0.1349 which is more than the significance level of 5%. Hence, we reject the null that states that FDIs have no significant effect on GDP thereby accepting the alternative that states that FDIs (FDI) have significant effect on GDP in Nigeria.

The result of the VAR granger causality results revealed that FDI (FDI) inflows significantly and positively affect economic growth variable in Gross Domestic Product (GDP) in Nigeria. The granger causality result of FDI to GDP shows 23.20541 with P- value of 0.0000 showing that FDI significantly granger causes an effective change in GDP within the period under review. Thus, FDI inflow shows positive and significant effect on Nigerian GDP. The result of this study is consistent with the findings of Heang and Moolio (2013), Onakoya (2012), Farkas (2012) and Ajagbe, Abdul, Bamidele, (2018) who also discovered a positively significant impact of FDI on Nigerian economy. A plausible direct interpretation of this result is that the FDI Inflow overtime affected economic growth (GDP) despite the recent fluctuation occasioned by the COVID-19

pandemic, global financial crises and national debt burden.

The result for the second null indicates bidirectional effect from FDI to human capita development/utilization and vice versa within the period under review. the result showed that FDI granger-cause human capita development and capacity utilization with chi-sq of 18.10486 and probability value of 0.0.0001, and the human capita development/utilization was also able to granger cause a significant effect with chi-sq of 9.522825 and pro-value of 0.0086 which is less than the significance level of 5%. Thus, FDI significantly affects on Human Capita Development/Utilization in Nigeria with a corresponding effect from Human Capita Development/Utilization significantly to FDI within the same period under review. Hence, we reject the null that states that FDI do not significantly affect on Human Capita Development/Utilization and therefore accepting the alternative that states that FDI (FDI) do significantly affect on Human Capita Development/Utilization in Nigeria.

The result of the VAR granger causality test shows that FDI inflows have high positive and significant impact on human capital development/capacity utilization in Nigeria. The study showed that past levels of FDI inflows positively and significantly affect human capital development in Nigeria with Chi square of 18.10486. The result of this study for Nigeria is corroborated by the study of Uzoka and Chukwuebuka (2012), Patterson and Sander (2017), Raju and Samal (2016), Onyekwena (2012) whose study found a positive and significant effect of FDI inflows on human capital development/capacity utilization in Nigeria. Thus, the result corroborates and supports our apriori expectations.

The result for the third null indicates no line of directional relationship between FDI and market capitalization within the period under review. The result showed that FDI does not granger-cause National Revenue Generation with Chi-sq of 1.523653 and probability value of 0.4112. The NRG was also unable to granger cause FDI with Chi-sq of 0.062112 with probability value of 0.8784 which is higher than the statistical significance level of 0.05. Thus, FDI have exert no significant impact on national revenue generation and there was no impact from NRG to FDI in Nigeria. Hence, the null FDI exerts no significant impact on NRG is accepted.

The VEC granger causality results showed that FDI Inflows has a positive and statistically insignificant effect on national revenue generation (NRG) in Nigeria. This finding is revealed by the granger causality effect of FDI inflow on NRG in Chi-sq of 1.523653 with p-value of 0.4112. The result of this study is contradicted by the findings of Nsofor (2016) and Adaramola and Obisesan (2015) who found a positive and significant effect of FDI inflow on NRG. However, the study was supported by Zafar and the finding further supports earlier apriori expectation of a positive effect.

The result for the fourth null indicates the absence of the long run connection of FDI on gross fixed capital formation (GFCF) with probability value of 0.7131 which is more than the critical value of 5% significance level. The high Chi-sq of 0.621512 further showcase the inability of FDI to significantly affect GFCF confirming no significant connection and relationship between FDI and GFCF within the period under review. The result also showed that FDI was unable to be granger-caused by GDFCF as low Chi-sq of 3.091513 with probability value of 0.2121 which is more than the critical significance level of 5% further confirms the insignificant connection of GFCF on FDI in Nigeria. Thus, FDI have no significant connection on GFCF in Nigeria. The null that FDI has no have no significant connection with gross fixed capital formation (GFCF) is accepted. The results of the VEC granger causality result showed that FDI has a positive but insignificant impact on GFCF in Nigeria. The study showed that features of FDI have positive Chi-sq of 0.621512 with probability of 0.7131 signifying that FDI showed positive but insignificantly impact on GFCF in Nigeria. The result of this study is

contradicted by the findings of Ugwuegbe et al. (2014) and Hejazi & Pauly (2002) who found a statistically significant impact of FDI on GFCF. This study experience supports the apriori expectations of positive effect of FDI on GFCF. A probable direct interpretation of this result is that the effort of FD inflow for Nigeria is concentrated in key productive and economic enhancement investments which help to also attract FDI spillovers but are however insignificant.

The result for the fifth null indicates that the long run effect between Gross National Savings and FDI is bidirectional and significant at 5% significance level. The result showed that FDI granger-cause gross national savings significantly showing Chi-sq of 25.05143 and probability value of 0.0000 with a corresponding effect of GNS on FDI via Chi-sq of 9.172517 and probability values of 0.0092 at 5% significance level. Thus, confirming the significance of bidirectional effect of FDI on GNS and vice versa since their probability values are less than the critical significance level of 5%. Hence, we reject the null that states that FDI have no significant effect on Gross National Savings thus accepting the alternative hypothesis that states that FDI have significant effect on national savings. The result of the VEC granger causality result revealed that FDI inflows significant and positively affect economic growth variable in Gross National Savings (GNS) in Nigeria in the long run. The granger causality result of FDI to GNS shows 9.172519 with P-value of 0.0092 showing that FDI significantly granger causes an effective change in GNS within the period under review. Thus, FDI inflow shows more positive impact on Nigeria economy in GNS. The result of this study is consistent with the findings of Ajayi and Othman (2014) and Obi-Nwosu (2018) who also discovered a positively significant impact of FDI on GNS. A plausible direct interpretation of this result is that the FDI Inflow overtime affected economic growth (GNS) due to retention of funds and improved domestic market. The result contradicts Uremadu (2008) and Bassey (2015) who discovered that FDI inflows have no significant effect on Gross National savings.

Table 3: Estimation Outcome

Hypothesis	Dependent	Excluded	Chi-sq	Prob.
H1: FDI's have no significant impact on Gross Domestic Product in Nigeria.				
	FDI	GDP	3.9631	0.1349
		All	3.9631	0.1349
	GDP	FDI	23.2054	0.0000
		All	23.2054	0.0000
H2: FDI's have no significant effect on Human Capita Development and Capacity Utilization in Nigeria.				
	FDI	HCDU	9.5228	0.0086
		All	9.5228	0.0086
	HCDU	FDI	18.1049	0.0001
		All	18.1049	0.0001
H3: FDI's exert no significant impact on National Revenue Generation in Nigeria.				
	D(FDI)	D(NRG)	0.0621	0.8784
		All	0.0621	0.8784
	D(NRG)	D(FDI)	1.5237	0.4112
		All	1.5237	0.4112
H4: There is no connection existing between FDI and Gross Fixed Capital Formation in Nigeria.				
	D(FDI)	D(GFCF)	3.0915	0.2121

	All	3.0915	0.2121
D(GFCF)	D(FDI)	0.6215	0.7131
	All	0.6215	0.7131
H5: FDI has significant effect on Gross National Savings in Nigeria.			
D(FDI)	D(NGS)	9.1725	0.0092
	All	9.1725	0.0092
D(NGS)	D(FDI)	25.0514	0.0000
	All	25.0514	0.0000

Source: Author (2024)

5.0 Conclusions

This research work studied the impact of FDI on Nigerian economy. Contradictions were reviewed from theoretical and empirical literatures and lines of argument which suggests that Nigerian economy responds to FDI through Gross Domestic Product, Human Capital Development/utilization, National Revenue Generation and Gross Fixed Capital Formation were also unveiled. It is generally accepted across the globe irrespective of ideological bent that no economy thrives very well in global financial village without FDI, either in the form of re-investment or portfolio re-investment. FDI therefore occupy a strategic position in the economies of developing countries and those of the emerging market. Every developing and emerging country attract FDI to catch up with the advance countries by opening up its economy to foreign direct investors in view of the poor level of savings and capital formation of those countries; thus FDI helps to bridge deficit gap between savings and investment of developing and emerging market. FDI have direct impact on local economy, and its effects cut across the economic variables; Thus, this study is motivated to use a more dynamic and robust analytical tool that capture the time series nature of the data to ascertain the impact of FDI on Nigerian economy.

Based on the findings, the paper offers some suggestions. First, the regulators need to adopt a more targeted investment promotion strategy like capital formation. In other words, identification of the sectors where comparative and competitive advantages exist and then promote FDI into those sectors. This would make investment promotion less costly and more effective capital formation. Second, government should embark on image building domestic regulatory reforms and marketing of investment opportunities by the governments should be refocused to improve the currently dwindling image of the country, which is the key to reversing the fluctuations in FDI trend of the country. This requires an increase in Political stability, Macroeconomic stability and the protection of property rights as well as the rule of law. This will allow the countries to maximize the gains of the spillover effects of FDI on the GDP and retained funds to increase economic activities. Third, governments should encourage and improve the investment climate for existing domestic and foreign investors through infrastructure development; provision of services and changes in the regulatory framework by relaxing laws on profit repatriation etc. which will encourage foreign investors increase their investments and attract new investors while the domestic businesses also keep their wealth in the region. The government should improve the security environments both virtual and physical. It is evident that increased security enhances the inflow of FDI. This implies that to receive higher investments from foreign and domestic investors”, a nation needs to have lower levels of insecurity.

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