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Research Article

Impacts of Foreign Direct Investments (Fdi) On the Nigerian Economy

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Abstract: Foreign Direct Investment (FDI) is real investment interaction of the rest of the world with domestic economy. Whether this interaction mar or make economic growth depends on the area of strength of each country and usage. The relative increased trend of FDI into the extractive industry especially during the present democratic dispensation compared to the non – extractive sectors pose a question as to whether the quantum add the same way to economy growth in the country, hence this study. The study was meant to determine the effect of foreign direct investment on the Nigeria economy with the ultimate purpose of looking at the relative performance of foreign firms in both the private and public sectors of the economy, determine the relationship between foreign investment and growth of Nigerian economy, as well as evaluate the various contributions of FDI to technological and expertise base of Nigeria. To enhance efficient and effective prosecution of the study, a total sample size of fifty(50) respondents out of a total population of one hundred (100) staff of the foreign exchange market and banks (both senior and junior were selected for the study). The investigation made use of both primary and secondary sources of data. While text books, journal articles, and other internet materials were reviewed for secondary data, personal Interviews and questionnaires were also used as instruments to gather primary data for the work. A total of nine (9) research questions and two (2) research hypotheses were formulated and used in this study, just as the study was based on stratified random sampling design. Some of the major findings of this work include that FDI; has significant impact on economic growth of Nigeria, accelerates infrastructural development in Nigeria, contributes to the development of Nigeria economy, has positive and negative Impacts on an economy, is adequately spread to all the sectors of Nigerian economy, represents a cornerstone strategy for attainment of development in Nigeria etc. It was recommended at the end of the work that; appropriate foreign policy on FDI be put in place in Nigeria such as good technology transfer policy to enable Nigeria benefits from the process, government must appreciate the needs for human capital investment and infrastructural development/rebuilding, as well as carry out the liberalization of all the sectors of the economy so as to attract foreign investments into the country.

Keywords: Foreign Direct Investment, Economic growth, Government Policy, Infrastructural Development, Economic Development, Economic Sector, Domestic Economy, Port folio investment, Foreign Investment.

INTRODUCTION:

Foreign direct investment (FDI) can be defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor"(Mosima, 2003). Thus it is not only a transfer of ownership from domestic to foreign residents but also a mechanism that makes it possible for foreign investors to exercise management and control over host country's firms (Hill, 2004; Sandey, 2003).

Various economic problems which include; underdevelopment, unemployment, inadequate resources, technology for security, absence of technological knowledge, and slow pace of development have been facing the Nigeria nation. The low level of development in the country is caused by poor policy implementation and corruption among the ruling elites. in addition, the over dependence on oil as the main stay of the economy has limited government capacity in terms of available resources to adequately drive the economy and meet with infrastructural needs of the country. It is often said that needs are unlimited while resources are scarce. As noted by shiro (2005), one of the main characteristics of globalization today is the encouragement of various nations to partake in foreign direct investment especially by multinational

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enterprises and firms. Many countries especially the developing nations like Nigeria see foreign direct investment (FDI) as a means to improve economic growth and stability. This is due to the fact that the foreign investment is often seen as amalgamation of capital, technology, market, and management.

Nigeria needs adequate foreign direct investment in order to garner resources for her economic growth. In the opinion of Ayanwale (2007), the various efforts of developing countries such as Nigeria to attract foreign investment have been futile. In addition, Adewale (2007), observed that the development is sending very little hope of economic development, growth, and technological improvement for these countries. The inflows gotten by these countries are mainly directed to the extractive industries and in some countries, their natural resources. Owing to this, Nigeria is seen as one of the major recipients of foreign direct investment in Africa.

To attract foreign direct investment into Nigeria therefore, there is need for the government to create the enabling business environment that is in line with best global practices.

A foreign direct investment (FDI) therefore, is a controlling ownership in a business enterprise in one country by an entity based in another country.

Foreign Direct investment differs substantially from indirect investment such as portfolio flows in which overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign Direct Investment than closed, highly regulated economies.

The investing company may make its overseas investment in a number of ways (either by setting up a subsidiary or associate company in the foreign country, or through a merger joint venture).

The accepted threshold for a foreign direct investment relationship, as defined by the OECD (Organization for Economic Cooperation and Development) is 10%. That is the foreign investor must own at last 10% or more of the voting stock or ordinary share of the investee company.

Foreign Direct investment is a key element in international economic integration. FDI creates direct, stable and long-lasting links between economies. It encourages the transfer of technology and know-how between countries, and allows the host economy to promote its products more widely in international markets. FDI is also an additional source of funding for investment and, under the right policy environment, it can be an important vehicle for development.

The significant growth in the level of FDI in recent decades, and its international pervasiveness, reflect both an increase in the size and number of individual FDI transactions as well as the growing diversification of enterprises across economic and industrial sectors. Large multinational enterprises (MNEs) are traditionally the dominant player in such cross boarder FDI transactions. This development has coincided with an increased propensity for MNEs to participate in foreign trade. In recent years, it is believed that small and medium-size enterprises have become increasingly involved in FDI.

Internationally harmonized, timely and reliable statistics are essential to assess the trends and development of the FDI activity, and to assist policy makers in dealing with the challenges of global markets. The usefulness of direct investment statistics depends on their compliance with several quality parameters like timeliness. An example of foreign Direct Investment (FDI) would be an American Company taking a majority stake in a company in china, or a Canadian company setting up a joint venture to develop a mineral deposit in Chile.

AIM AND OBJECTIVES

The major aim of this study is to determine the effect of foreign Direct Investment on Nigeria economy by looking at the relative performances of foreign firms in both the private and public sectors of Nigeria economy. It hopes to achieve this aim through the following specifics objectives;

- To expand the broad and wide knowledge of foreign direct investment in Nigeria among the citizens.
- To determine the relationship between foreign direct investment and growth of Nigeria economy.
- To evaluate the various contributions of foreign direct investment to technological and expertise base of Nigeria.
- To identify the various strategies that can be adopted towards attracting foreign direct investment and maximizing the beneficial effects.
- Finally to find out if FDI brings about favorable technology transfer needed to drive the Nigeria economy.

Significance of the Study:

The struggling pace of Nigeria development, the lack of expertise skills, low level of technology, poor infrastructural facilities, low employment opportunities and uncompetitive nature of our economy clearly showed that foreign investment is highly needed. The monolithic nature of our economy (solely dependent on oil) could not provide the broad revenue base needed to drive the economy. The role of FDI is to support the needed funds or investment cannot be overemphasized. It is also due to the fact that foreign investment could bring about transfer of technology and speed up infrastructural development coupled with increased employment opportunities, that this study was carried out.

This study will assist the government on proper policy formulation and implementation to make adequate use of FDI for the overall benefit of the economy, as well as serve as a reference material for future researchers on the same or similar subject matters

Literature Review/Theoretical Framework:

Conceptional Review:

Generally speaking, investment is the commitment of funds or savings to a specified project with the primary motive of achieving a primary objective which could be profit, fame, or goodwill. A foreign Direct Investment (FDI) is the ownership of property abroad, usually in a company for a financial return. It is a subset of foreign investment when control follows the investment. So, an investment is called direct when the concept of control is introduced to it. In addition, direct investment possesses some features such as:

a) High commitment of capital, personnel, and technology between countries.
b) High access of foreign materials for either resources or precuts.

The ownership of a controlling interest in a foreign operation is the highest type of commitment to foreign operations. For an investment to be considered direct therefore there has to be either a minimum of 10 or 25 percent ownership of the voting rights or ordinary share in a foreign enterprise.

The concept of control is very important in the operation of foreign direct investment because in most cases, it is the single most important fact that motivates investors to be willing to transfer technology and other competitive assets.

According to Nwadikwo (2007), foreign investment is a type of investment in real financial assets across the national boundaries of the investors with the aim of maximizing the objective function of the investors which can be undertaken by individuals, firms, or the government. Basically, foreign investment falls into two broad categories Viz;

(a)Portfolio investment and
(b)Direct Investment.

As started earlier, while portfolio flows deal with the investments by overseas institutions in equities listed on a nation's stock exchange (i.e with or no concern on control or ownership influence) direct foreign investment is typically concerned with overseas investments that have a significant degree of influence and control over the company into which the investment is made.

Foreign Direct Investment and Growth Relation in Nigeria:

There have been several Nigeria specific studies on the relationship between FDI and economic growth in Nigeria. Some of the pioneering works and their outcomes include:

Aluko (1961), brown (1962) and Obina (1983). These authors separately reported that there is a positive linkage between FDI and economic growth in Nigeria. Edozien (1968) observed that there are linkage effects of FDI on Nigeria economy and submits that these have not been considerable and that the broad linkage effects were lower than the chanery watanable average.

Also, Oseghale and Amonkhienam (1987) found that FDI is positively associated with GDP, concluding that greater inflows of FDI will spell better economic performance for the country.

According to Odozi (1995), there was special emphasis on the factor affecting FDI flows into Nigeria in both pre and post structural Adjustment programme (SAP) eras and discovered that the Macro polices in place before SAP were discouraging investors. This policy environment led to the proliferation and growth of parallel markets and sustained capital flight.

Ariyo (1998) studied the investment trend and its impact on Nigeria's economic growth ever 26 years. He found that only private domestic investment consistently contributed to raising GDP growth rates during the period considered (i.e 1970 – 1995). In addition, there is no reliable evidence that all the investment variables included in his analysis have any perceptible influence on economic growth. He suggested the need for an instructional re-arrangement that recognizes and protects the interest of major partners in the development of the economy. Adelegan (2000) explored the seemingly unrelated regression model (SUR) to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption, pro-import and negatively related to gross domestic investment.

In the work of Ekpo (1995), he observed that the political regime, real income per capita, inflation rate, world interest rate, credit rating and debt service were the key factors explaining the variability of FDI inflows into Nigeria.

Similarly, Ayanwale and Bamire (2001) assessed the influence of FDI on firm's level of productivity in Nigeria and reported positive spillover of foreign firms and domestic firm productivity.

Anyanwu (1998) laid particular emphasis on the determinants of FDI inflows to Nigeria. He identified change in domestic investment, change in domestic output or market size, indigenization policy and change in openness of the economy as major determinants of FDI inflows into Nigeria and that efforts must be made to raise the nation's economic growth so as to be able to attract more FDI.

Finally, Ayanwale (2007) investigated the empirical relationship between non-extractive FDI and economic growth in Nigeria and also examined the determinants of FDI inflows into the Nigeria economy. He used both single-equation and simultaneous equation models to examine the relationship. The results suggested that the determinants of FDI in Nigeria are market size, infrastructure development, and stable macro economic policy. Openness to trade and human capital were found not to be FDI inducing. He also found a positive link between FDI and economic growth in Nigeria.

Consequently, the summary of the results of all the reviewed pioneering works highlighted in this study showed that there is a positive relationship between FDI and Nigeria economic growth.

Foreign Direct Investment: The Nigeria Case:

FDI in Nigeria is highly concentrated in the oil industry. In 1960, the oil industry was not so independent because there was substantial FDI presence in the Nigerian economy. However, policy designs narrow the scope of FDI. Additionally, subsequent decades of political instability, economic mismanagement, and endemic corruption further reduce Nigeria's chances of attracting and retaining FDI. While oil plays a significant role in Nigeria's economy, Poverty is endemic. Data show that over 70% of Nigerian population of about 150 millions live on les than one dollar per day. The manufacturing sector has hardly progressed and only 3% of agriculture is mechanized. FDI in the non-oil sectors had been discouraged by restrictions in favor of local and national enterprises untill the 1990s. Evidences showed that they were characterized by poor business conditions. By 1995, the Nigerian government had relaxed virtually all restrictions hindering FDI, meanwhile, other countries had moved faster to attract non –oil FDI to include privatization. As a consequence, Nigeria now accounts for only 15% of all FDI inflows to Africa in oil and non-oil FDI compared with 30% in the 1970s. Nevertheless, Nigeria controls 73% of FDI inflows to the Economic community of west African State (ECOWAS). In 1970 before Nigeria became a member of the organization of petroleum exporting countries (OPEC), FDI inflows stood at $470 million. The inflow of FDI into non-oil sectors was affected by various private sector policies adopted in the early 1970s. Nevertheless, evidence shows that non-oil FDI is now raising attributable to the positive effect and improvement of macroeconomic management of the business environment and investors' confidence. Even more so, the oil and gas sector is a complete success story as FDI inflows reacted positively to attractive fiscal terms in recent times.

Beyond the oil sector and in the manufacturing sector in particular, foreign affiliates are few and have made no significant development impact, though opportunities for FDI have opened in the "backbone" services e.g. Communications, and the impact of the FDI in this area, which is recent, is promising. However, not much can be said of solid mineral development which is low despite its huge availability in various parts of the country. According to the report of the National Burean of statistics Nigeria 2010, solid mineral contributed less than 1% to Nigerian's GDP in 2009 and the first quarter of 2010.

The Nigerian Fdi Challenges:

In the determination to move in tandem with the urgent dictates of the deplorable state of the nation's infrastructural needs, Nigeria plans to attract $600 million in FDI by the threshold year of vision 2020 to deal with the huge infrastructure deficit.

Nigeria currently attracts only about $9billion according to Gold-men Sachs. However, by implication, this means that the country must on the average pull in $50 billion in a yearly basis to hit target. It also means doing an extra $41 billion better than current levels which economic observers said that it may be a herculean task (Kirk Leigh). The task, obviously is not an easy one because research shows that Nigeria is not even in the top ten of FDI destination where the least country, Thailand received $9.6 billion in 2007, according to the world Bank research contained in Global development finance 2008.

Some Foreign Direct Investment Incentives Adopted By The Government In Nigeria

In the past decades, the government of Nigeria has vigorously pursued economic policies aimed at liberalizing and promoting competition and investment in the Nigerian economy. These incentives include:

1. The establishment of Nigerian Investment promotion commission (NIPC) under decree No. 16 of 16th January, 1995 which gives full power to encourage, promote and coordinate all investment in the Nigerian economy.
2. Foreign investment incentive to companies such as; reduction in amount of taxes to be paid by foreign investors e.g coroporate income tax (CIT) 30%,

capital gain tax (CGT) 10%, value added 5%, withholding tax 5%.

3. Exemption from import duties and vat on imported machines and investment goods, raw materials and semi finished goods used for manufacturing in Nigeria.
4. Granting of pioneer status to foreign companies which empowered companies operating in certain designated pioneer industries to hold income tax for five years but seven years for companies operating in economically disadvantage area.
5. Total exemption from capital gain tax of a gain derived from the disposal of stock or shares.
6. Government investment in gas industry.
7. Entering into tax treaties with several nations of the world to avert double taxation
8. Abolition of exercise duties on local industries including those established and run by foreigners.
9. Establishment of export expansion credit fund scheme.
10. Formulation of several export promoting measures and incentives such as; import duties drawback, export license waiver, export development fund etc.
11. Establishment of Export credit fund scheme
12. Establishment of export credit guarantee and insurance scheme.

Empirical Review:
This section deals with the review of some journal articles relating to the matter under discussion.

Miniko (2010) observed that the major dramatic changes in the world economy over the past three decades as evidenced in the super flows of institutions is the surge for the FDI across national borders. It has been the views of many scholars all over ages that FDI acts as a catalyst for economic growth in the host nation. According to Nwabende (2002) and Ayanwale (2007), the wide externalities that come with FDI in respect of: technology transfer, the development of human capital, and enhancement of domestic productive capacities cannot be over emphasized.

In a study conducted by Otepola (2002), he examined the importance of direct foreign investment in Nigeria. His study was empirically based and examined the impact of FDI on economic growth. He concluded in his findings that FDI contributes significantly to growth mostly through exports. His study recommends a mixture of practical workable government policies to attract direct foreign investment (FDI) to the priority Sectors of the economy.

Laura (2003) investigated how the benefits of FDI vary greatly across sectors by examining the effects of foreign direct investment on growth in primary, manufacturing, and service sectors between 1981 to 1999. His study which was empirically based and used cross – country data suggests that total FDI exerts an ambiguous effect on growth. This means that foreign direct investment in the primary sector, however, tends to have a negative effect on growth, while investment from the service sector is ambiguous.

But Blomstrom *et al.*, (1994) in their study to investigate the effect of FDI on economic growth, reported that FDI exerts a positive effect on economic growth, but that there seems to be a threshold level of income above which FDI has positive effect on economic growth and below which it does not. The explanation was that only those countries that have reached a certain income level can absorb new technologies and benefit from technological diffusion, and thus reap the extra advantages that FDI can offer. Previous works suggest human capital as one of the reasons for the differential response to FDI at different levels of income. This is because it takes a well-educated population to understand and spread the benefits of new innovations to the whole economy. The interaction of FDI and human capital had important effect on economic growth and suggests that the difference in technological absorptive ability may explain the variation in growth effects of FDI across countries. They suggested further that countries may need a minimum threshold stock of human capital in order to experience positive effects of FDI.

Finally, Balasubramanyan *et al.*, (1996) posited that there is a positive interaction between capital and FDI. They had earlier found significant result supporting the assumption that FDI is more important for economic growth in export- promoting than import – substituting countries. This implies that the impact of FDI varies across countries and that trade policy can affect the role of FDI in economic growth.

In summary, UNCTAD (1999) submits that FDI has either a positives or negative impact on output depending on the variables that entered alongside it in the test equation. These variables include the initial per Capita GDP, education attainment, domestic investment ratio, political instability, terms of trade, black market exchange rate premiums, and the state of financial development.

Theoretical Framework:
There are a number of theories which explains FDI. These theories are all set to be on an economic environment in which the costs of labour and other resources used in production are too high thereby forcing the consumer to use substitute inputs in production (i.e Imperfect market condition). These economic theories include; Macdongall- kemp hypothesis; industrial organization theory; location specific theory; product cycle theory; internationalization approach; electric Paradigm; currency based approaches; and portfolio- economic theory. Of all these theories the MacDougall- kemp

hypothesis is the only theory which is based on a perfect market conditions which made it necessary for the researcher to anchor this study on. MacDongall Hypothesis is one of the earliest theories developed by G.D.A. MacDougall in 1958 and subsequently elaborated by M.C. kemp in 1964 who made a detailed explanation of the theory. This theory assumes a two – country model (i.e country A and country B; in which country one is the investing country while the other is the host country) and the price of capital is equal to its marginal productivity. They explain that capital moves freely from a capital abundant country to a capital scarce country and in this way the marginal productivity of capital tend to equalize between the two countries. This leads to improvement in efficiency in the use of resources that leads ultimately to an increase in welfare. This is so because according to them, despite the fact that the output in the investing country decreases in the wake of foreign investment outflow, national income does not fall insofar as the country receives returns on capital invested abroad, which is equivalent to marginal productivity of capital times the amount of foreign investment. So long as the income from foreign investment is greater than the loss of output, the investing country continues to invest abroad because it enjoys greater national income than prior to foreign investment. The host country too witnesses increase in national income as a sequel to greater magnitude of investment, which is not possible in the absence of foreign investment inflow.

Definition of Terms:

The clarity of any corpus of knowledge is enhanced by an adequate comprehension of the recurrent vocabularies that constitute it. Thus, understanding depicts familiarity with the grammatical ingredients of the work. For the purpose of proper understanding and interpretation of the contents of this work, the underlisted terms are defined as below;

Foreign direct investment (FDI):

This refers to a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence of the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of enterprises resident in one economy by an investor in another economy is evidence of such a relationship. Some compliers may argue that in some cases and ownership of as little as 10% of the voting power may not lead to the exercise of any significant influence while on the other hand, an investor may own less than 10% but have an effective voice in the management.

Nevertheless, the recommended methodology does not allow any qualification of the 10% threshold and recommends it strict application to ensure statistical consistency across countries.

Residence:

The residence of an economic entity (or an institutional Unit) is determined on the basis of the economic territory with which it has the strongest connection determined by its predominant centre of economic interest. While some units may have connections with more than one territory, for statistical consistency, there is a need to attribute a single economic territory based on objective and comprehensive criteria.

Voting power:

Generally, ordinary shares provide voting power. While voting power is generally obtained through the purchase of equity, it is possible to have voting power that is not the same proportion as the equity ownership (for example, "golden shares" have greater voting power than other shares). It is also possible to obtain voting power without purchasing equity (for example, through swaps and repurchase agreements).

Enterprise:

An enterprise is an institutional unit engaged in production. An enterprise can be a corporation enterprise but non-profit institutions are complete institutional units. An unincorporated enterprise however refers to an institutional Unit (a household or government unit) only in its capacity as a producer of goods and services.

RESEARCH METHODOLOGY

Scope and Delimitation of the Study:

The study is designed to determine the impact that FDI has on the Nigeria economy. It covers a period of twenty-six (26) year (1980-2006) of FDI in the Nigeria Economy.

Sequel to the vastness of the field of investment which covers all aspects of human endeavors, the focus of this study is on FDI in the economical context of Nigeria.

The scope for foreign investment in Nigeria is unlimited. Nigeria offers to foreign investors a well balanced package of fiscal incentives for exports and industrial investments. Moreover, the support of the common man regarding FDI is clearly from the sharp hike in Nigeria's gross expenditure in the past twenty six years. Thus the Nigerian economy is proving itself highly conducive to foreign investment.

Limitation of the Study:

This work was limited first by financial resources that reduced the scope of the study. This researcher lacks sponsorship that would have provided the needed funds to do all that were intended.

A study of this nature cannot be carried on without difficulties in the process. Other limitations are that some of the data are based on secondary sources. The quality of conclusion reached in the study therefore cannot be better than the quality of services and material upon which the study was based. Also, the analysis covers time period in which information is already available from both the federal office of statistics and the Central Bank of Nigeria and so does not portray the position as they are today. However, the author recognizes the fact that the past can yield an insight into both the present and the future and this forms a good basis for analysis and decision making.

Research Hypotheses:

To help drive home some salient points regarding this study, two hypotheses were formulated for testing in this work. They are;

Hypothesis I:

H_o: FDI does not have any significant impact on economic growth in Nigeria.

H_I:FDI has a significant impact on economic growth in Nigeria

Hypothesis 2:

H_o: Foreign Direct Investment (FDI) does not have positive impact on the Nigerian infrastructural development.

H_I: Foreign Direct Investment (FDI) has a positive impact on the Nigeria infrastructural development

The test of theses hypotheses were by chi-square Critic method. The formula employed by this model is as stated here under;

$$X^2 = \frac{(fo-fe)^2}{Fe\sum}$$

Where:

X^2= Chi-square
fo= observed frequency
fe=expected frequency
∑= Summation sign

Decision Criterion:

According to Saylor (2010), the generally accepted rules guiding the application of chi-square test is;

Accept the Null Hypothesis (H_o) if CV < TV, otherwise accept the Alternative Hypothesis (H_I).

Where;

CV=Calculated value of X^2
TV=Table value of X^2

Note:

Each value of 'fo' is obtained from the raw data gathered from the field, while the value of each 'fe' is calculated base on the formula;

$$\frac{(RT \times CT)}{GT}$$

Where;

RT=Row Total
CT=Column Total
GT=Grand Total

It is also worthy of note that the tests were conducted at 5% level of significant, while the degree of freedom was determined by means of the formula;

(R – I) (C- I),

Where;

R=Number of row
C=Number of Column
I=Constant

DATA METHOD

Both primary and secondary data were obtained from related textbooks, journal articles and other internet write-ups and publications. The population of the study centered on all foreign direct investment flows into Nigeria and likely elements that affect the rate of FDI growth in the Nigeria economy. The target or accessible population is made up of one hundred (100) staff made up of senior and junior employees in the foreign exchange market and the banks. From the above population, a sample size of fifty (50) respondents was randomly selected for this study. This made the sample size quite very adequate because according to Nwogu (1998), a sample size must not be less than 10% of the entire population of the study.

The choice of a mix population and sample size of both primary and secondary sources was born out of the desire to make this study an effective exercise. This practice is supported by the assertion that effective research papers often use a mix of both primary and secondary sources just as teachers and professors will often specify a mix between the two types (Rozakis, 2004).

Data Analysis and Results:

Analysis and discussions are hereby presented of the primary data collected in the course of this study for the purpose of reaching lasting conclusions on the subject matter of this study.

Comment:Result obtained from table I showed that FDI; contributes to the development of Nigerian economy, accelerates infrastructural development in the Nigerian economy, has both positive and negative impact on an economy depending on the situation, is adequately spread to all sectors of the Nigerian economy, has significant impact on the economic growth in Nigeria as well as on FDI's quality and cost reduction, and is a cornerstone strategy for attainment of development in the Nigerian economy.

Other discoveries from the same table include the fact that; average Nigerians are aware of the present of FDI in Nigeria, and that enterprises in Nigeria also embark on Foreign Direct Investment outside the shone of the country.

Above conclusions were made in this study even as all the affirmative responses from the respondents are by far higher in each case.

Test of Hypotheses

HYPOTHESIS 1:

H_O: Foreign Direct investment (FDI) does not have any significant impact on economic growth in Nigeria.

H_I: Foreign Direct Investment (FDI) has significant impact on economic growth in Nigeria.

Note:

Testest of this hypothesis is by means of chi-square (x^2) statistical test at 1df and 5% level of significance using respondents responses to research question 8 in table 1.)

Table: 1 Analysis of Research Questions**:**

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S/N	RESPONSES / RESEARCH QUESTIONS	YES		NO		TOTAL	
		No.	%	No.	%	No.	%
1.	Is FDI contributing to the development of the Nigerian economy?	45	90	5	10	50	100
2.	Are average Nigerians aware of FDI in Nigerian?	35	70	15	30	50	100
3.	Is FDI accelerating infrastructural development in the Nigerian economy?	45	90	5	10	50	100
4.	Does FDI have a positive and negative impact on the economy?	48	96	2	4	50	100
5.	Are the right policies put in place by the government to ensure the proper utilization of FDI?	40	80	10	20	50	100
6.	Is FDI adequately spread to all sectors of the economy?	40	80	10	20	50	100
7.	Do enterprises in Nigeria embark on FDI?	43	86	7	14	50	100
8.	Does FDI have a significant impact on the economic growth in Nigeria as well as on FDI's quality and cost reduction?	42	84	8	16	50	100
9.	Can it be said that FDI is a cornerstone strategy for attainment of development in the Nigerian economy?	42	84	8	16	50	100

Source: Field Survey, 2016.

TABLE 2: Contingency Table for the Calculation X^2 In Hypothesis1

RESPONDENTS / RESPONSES	SENIOR STAFF	JUNIOR STAFF	TOTAL
Yes: Fo	30	12	42
(Fe)	(26.88)	(15.12)	(42)
No: Fo	2	6	8
(Fe)	(5.12)	92.88)	(8)
Total	32	18	50

Source: Derived and Modified From Table 1

Note:
df = 92-1) (2-1) = 1x1 = 1.

Now, at 1 df and 5% level of significant the table value of x^2 = 0.00393.

FO	FE	(FO - FE)	$(FO - FE)^2$	$(FO - FE)^2$ / Fe
30	26.88	3.12	9.7344	0.36214
12	15.12	-3.12	9.7344	0.64381
2	15.12	-3.12	9.7344	1.90125
6	2.88	3.12	9.7344	3.38000
Ii	X^2	→		6.2872

Source: Computed from table 2.

TABLE 3: Contingency Table For The Calculation Of X^2 In Hypothesis 2

RESPONDENTS / RESPONSES	SENIOR STAFF	JUNIOR STAFF	TOTAL
Yes: Fo	40	5	45
(Fe)	(37.8)	(7.2)	(45)
No: Fo	2	3	5
(Fe)	(4.2)	(0.8)	(5)
Total	42	8	50

Source: Derived and Modified From Table 1

FO	FE	(FO - FE)	$(FO - FE)^2$	$(FO - FE)^2$ / Fe
40	37.8	2.2	4.48	0.12804
5	7.2	2.2	4.48	0.67222
2	4.2	2.2	4.48	1.15238
3	0.8	2.2	4.48	6.05000
II X^2		→		8.00264

Source: Extracted and computed from table 3.

Decision: (Explanation of Table-2)

The result shows that the computed x^2 value (6.2872) is greater than the tabulated value of x^2 (0.00393), Here the Null hypothesis is rejected while the alternative hypothesis is accepted. This means that Foreign Direct Investment (FDI) has significant impact on economic growth in Nigeria.

HYPOTHESIS 2

H_O: Foreign Direct Investment (FDI) does not have positive impact on the Nigerian infrastructural development

H_I: Foreign Direct Investment (FDI) has positive impact on the Nigerians infrastructural development.

Note:

As was the case with the first test, this test is by the same model using respondent responses to research questions at 1 df an 5% significant level, at which point the table value of x2 = 0.00393.

Decision: (Explanation of Table-3)

Here again, the outcome of the test revealed that the value of X^2 tabulated (0.00393) is by far lower than the value of X^2 computed (8.00264) thereby compelling the researcher to accept the alternative hypothesis (H_i) at the expense of the Null hypothesis (H_o). This invariably means that Foreign Direct Investment (FDI) has positive impact on the Nigerian infrastructural development.

Discussion of Findings

The results obtained from the frequency analysis in table 1 indicate that:

FDI has a significant impact on the economic growth in Nigeria as well as on FDI's quality and cost reduction. this position was also corroborated by the outcome of the test of the first hypothesis in which the Null hypothesis was rejected and the alternative hypothesis accepted. In table 1, we saw 2 (84%) respondents answering in the affirmative in support of the position, while on 8 (16%) respondents were against the said position.

Also in table 1, the responses to research question 3 clearly revealed 45 (90%) respondents answering in the affirmative in support of the view that FDI accelerates infrastructural development in Nigerian economy. This is very high when compared with 5 (10%) respondents who voted against this view. This result was also corroborated by the outcome of the test of the second hypothesis in which the Null hypothesis (Ho) was outrightly rejected in favour of the Alternative hypothesis (H_i) that FDI accelerates infrastructural development in Nigeria.

Other notable findings made by the study as can be seen in table I are that;

- FDI contributes to the development of the Nigerian economy.
- Average Nigerians are aware of the prevalent of FDI in Nigeria.
- FDI has a positive and negative impact on an economy depending on the situation.
- Right policies are put in place in Nigeria to ensure the proper utilization of FDI.
- FDI is adequately spread to all the sectors of the Nigerian economy.
- Enterprises in Nigerian also engage in FDI in economies outside Nigeria.
- FDI is a cornerstone strategy for attainment of development in the Nigerian economy.

Conclusion and Recommendations

This study has proven beyond reasonable donor that foreign direct investment (FDI) actually has positive effect on the Nigeria economy by; determining relative performances of foreign firms in both the private and public sectors, determining the relationship that exist between FDI and economy growth in Nigeria, evaluating the various contributions of Foreign Direct Investment (FDI)to the technological and expertise base of Nigeria, identifying the various strategies that Nigerian government has adopted to attract foreign direct investment (FDI), and by expanding the broad and wide knowledge of foreign Direct Investment (FDI) among the Nigerian citizens.

Recommendations:

The effect of FDI to economic growth in Nigeria has been positive but has not contributed much to the growth and development of Nigeria. This is evidenced in reality of enormous repatriation of profits, dividends, contracts fees, and interest payment on foreign loans. The researcher suggest that in order to further improve the economic climate for FDI in Nigeria, appropriate foreign policy has to be put in place such as good technology transfer policy to enable Nigeria benefit fully from international knowledge to develop the economy even in the extractive industry as Malaysia did in the 1960s in her oil palm production.

In addition, government must appreciate the fact that the basic element in any successful development strategy should be to encourage the domestic investors first before going after foreign investors.

The Nigerian government should also carry out the liberalization of all the sectors of the economy so as to attract foreign investors, so that the current efficiency and growth evidenced in the telecommunication sector and also be enjoyed in other sectors.

There are four basic requirements for economic development namely; Investment capital, enterprise technical skills and natural recourse etc.

The provision of these necessary components present problems for developing nations like Nigerian. Human Capital Investment is a crucial determinant of economic growth so funds from Nigerian oil sector should be directed to other real sectors of the economy.

Effort should continually be made by the government, this time with more rigor, at ensuring consistency in policy objective and instruments through a good implementation strategy as well as good sense of discipline, understanding and cooperation among the policy workers in evaluation FDI, the screening process should be simplified and improved upon. For example, export investment projects that consistently generate positive contribution to national income should be screened separately and swiftly, while projects in import competing industries should be screened separately.

The Nigerian government needs to come up more friendly economic policies and business environment that will attract FDI into virtually all sector of the economy.

Exchange rate is also recommended to be more market responsive, infraction rate should be pursued to single digit, and there should be more generous incentives for the flow of more FDI into the economy.

The totlering stage of the rule of law, property rights law, and the land use law is yet another snag in government's plan. In this regards, there are lessons to learn from Singapore, a country of just six million people that has made their economy a hub for FDI on account of entrenching the rule of law.

Not to be overlooked also is the enactment of laws that will protect businesses and provide incentives for investors.

Finally, the ease of doing business in Nigeria needs to be given extra attention as these impacts directly on companies' bottom line. The federal government should streamline registration process and double up effort in rebuilding broken infrastructure particularly; power and road infrastructures.

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