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# FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON ECONOMIC GROWTH OF NIGERIA (1985-2016)

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**Abstract**

The research is aimed at exploring Foreign Direct Investment and its impact on economic growth of Nigeria. The study covers 31-year period between 1985-2016. Simple ordinary least-square regression model is used to measure the effects and relationships between the independent variable and the dependent variable using E-views 9.0. Foreign Direct Investment (FDI) serve as the independent variable while economic growth as the dependent variable. GDP, exchange rate, inflation rate, unemployment rate, total savings and interest rate were used as proxies for economic growth. Data on FDI, GDP, exchange rate, unemployment rate, savings and interest rate were retrieved from the CBN Annual Statistical Bulletin, World bank Report and National Bureau of Statistics. The stationarity property of a time series data can be examined by conducting unit root test in order to ascertain the stationarity or otherwise of the series variables (Akinola,2016). Augmented Dickey-Fuller (ADF) test due to Dickey and Fuller (1979, 1981), and the Phillip-Perron (PP) due to Phillips (1987) and Phillips and Perron (1988) were used to ensure the stationarity of the time series data i.e dependent and independent variable. The finding showed that there is a strong and positive relationship between FDI and economic growth in Nigeria. The government of Nigeria must put all hands-on desk, formulating policies and necessary reforms to ensure that foreign direct investments are attracted to benefit the populace at large. It also recommended that Institutionalized corruption both in private and public sectors must be fought, if the nation must attract FDI, we must change our ways of doing things.

**Keywords:** Foreign Direct Investment, Economic Growth, Gross Domestic Product, Exchange Rate, Unemployment Rate, Total Savings, and Interest Rate.

## 1. Introduction

In recent years, policymakers, especially in the developing countries, have come to the conclusion that foreign direct investment (FDI) is needed to boost the growth in their economy. It is claimed that FDI can create employment, increase technological development in the host country and improve the economic condition of the country in general (Sarumi, 2006). For developing countries foreign direct investment (FDI) is considered to be a way to transfer technology and capital from other developing and especially developed countries. When FDI comes to a domestic country (in specific business) that firm receives competitive advantage due to the usage of new knowledge, experience, ways of production and management. Current successful economic growth of developing countries is explained by "catch-up effect" in technological development with developed countries (Melnyk, Kubatko, & Pysarenko, 2014). Foreign direct investment is an investment made to acquire a lasting management interest in a business enterprise operating in a country other than that of the investor defined according to residency (World Bank, 1996) (Ayanwale, 2007)

To Investopedia (2016) economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. It can be measured in nominal or real terms, the latter of which is adjusted for inflation. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.

Over the years many scholars have argued for and against the benefits of FDI on economy growth. Those for identified transfer of technology and knowledge, improving exports, capital investment, fill the resource gap in many developing nations and Improved physical infrastructure while those against identified repatriate excessive profits to the parent country (capital flight), crowding out domestic investment, creating a monopoly, increases the host country's imports and mechanism for exploiting and controlling developing countries by western industrialized nations (Afzalur, 2015).

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This work attempts to investigate the impact either negative or positive of FDI on economic growth of Nigeria. To achieve the objectives of the study, the following null hypotheses are formulated and tested:

**$H_{01}$:** There is no significant relationship between FDI and Gross Domestic Product

**$H_{02}$:** There is no significant relationship between FDI and exchange rate

**$H_{03}$:** There is no significant relationship between FDI and unemployment rate

**$H_{04}$:** There is no significant relationship between FDI and total savings

**$H_{05}$:** There is no significant relationship between FDI and interest rate

## 2. Foreign Direct Investment

FDI is defined as a cross-border investment in which a resident in one economy (the direct investor) acquires a lasting interest in an enterprise in another economy (the direct investment enterprise). The lasting interest implies a long-term relationship between the direct investor and the direct investment enterprise and usually gives the direct investor an effective voice, or the potential for an effective voice, in the management of the direct investment enterprise (CMCG, 2003). Froot (1993) defined Foreign Direct Investment as cross-border expenditures to acquire or expand corporate control of productive assets

Foreign Direct Investment is an investment made to acquire a lasting management interest (10 percent or more of voting stock) in a business enterprise operating in a country other than that of the investor defined according to residency (World Bank, 1996) (Ayanwale, 2007). IMF & OECD (2004) Foreign direct investment enterprise is an enterprise (institutional unit) in the financial or non-financial corporate sectors of the economy in which a non-resident investor owns 10 per cent or more of the voting power of an incorporated enterprise or has the equivalent ownership in an enterprise operating under another legal structure. However, this guideline is not a fast rule, as it acknowledges that smaller percentage may entail a controlling interest in the company (and, conversely, that a share of more than 10% may not signify control). But the IMF recommends using this percentage as the basic dividing line between direct investment and portfolio investment in the form of shareholdings (Duce & España, 2003). In view of the definition of the World bank, IMF and OECD, one common pre-requisite in defining an investment as Foreign Direct Investment is that the investor's ownership must not be at less than 10%, which is also a requirement for holding quality and substantial control over the enterprise.

Adeleke, Olowe & Fasesin, (2014) Foreign direct investment (FDI) is an immediate investment into production or business in a nation by an individual or firm of another nation, either by purchasing an organization in the target nation or by extending operations of a current business in that nation.

We define Foreign Direct Investment as a kind of investment that includes the direct infusion of non-domestic assets, reserves or funds into an undertaking that operate in a different nation other than that of the investor. For instance, direct fund inflow from an American citizen to an enterprise in Nigeria.

Foreign Direct Investment in Nigeria expanded by 1269.22 USD Million in the final quarter of 2016. Foreign Direct Investment in Nigeria arrived at the midpoint of 1353 USD Million from 2007 until 2016, achieving an all-time high of 3084.90 USD Million in the final quarter of 2012 and a record low of 501.83 USD Million in the final quarter of 2015. Foreign Direct Investment in Nigeria as reported by the Central Bank of Nigeria (Trading Economics, 2017).

**3. Economic Growth**

Udu & Agu (1989) defined economic growth from the traditional viewpoint that it more output which implies more input and more efficiency- that is an increase in output per unit of input. Boyes & Melvin (1999) economic growth is an increase in real national income usually measured as the percentage change in Gross National Product or Gross Domestic product per year. As more goods and services are produced, the real GDP increase and people are able to consume more. Abiraj (1998) economic growth means increase in total output. He identified three main causes of economic growth; a rise in the productivity of existing factor of production (productivity means output per input employed), an increase in the available stock of factors of production and technological progress or change. Todaro (1985) defined economic growth as a long-term rise in capacity to supply increasingly diverse economic goods and services to its population; this growth capacity is based on advancing technologies, the institutional and ideological advancement that it demands. Akinola (2006) also sees economic growth as growth that involves productive capacity of a country and it concentrates on the effects of investment in the rising potential incomes. Economic growth is seen by (Aderinto & Abdullahi, 1988) as sustained secular increase in total national income or national income per head i.e. per capita

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income of the population. Economic growth occurs whenever there is a quantitative increase in country's input and output over a period of time (Johnson, 1987), this definition is similar to that of (Kayode, 1996).

However, authors definition of the concept 'Economic Growth' centers on the increase in income par head of the population through the production of goods and services. i.e. the country should be able to increase its productive capacity to feed its increasing population and be self-reliant. High economic growth rate should be able to materialize in employment opportunities, poverty reduction, high level of literacy, and good health condition (Akinola, 2016).

## 4. Empirical Studies

Lyroudi, Papanastasiou & Vamvakidis (2004), study on the impacts of Foreign Direct Investment (FDI) on economic growth principally concentrates on the US and the western European nations. The goal of this paper is to examine the presence and the nature of the impact of FDI on the growth rate of a group of transition; an economy moving or changing from centrally planned to market economy (Albania, Azerbaijan, Belarus, Bosnia, Georgia, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Mongolia, Romania, Russia, Slovenia, Tajikistan, Turkmenistan, Uzbekistan) economies. They used Bayesian analysis. The criteria for data selection was based on availability. The evidence from the statistical analysis proposes that foreign direct investment (FDI) does not have any significant relationship with economic growth for transition countries.

Koojaroenprasit (2012) explored the impact of Foreign Direct Investment (FDI) on economic growth in South Korea. This study used secondary data covering the time period from 1980-2009 analyzed using multiple regression model. The study attempted to determine the empirical impact of FDI on South Korean economy using macroeconomic annual time series data. FDI, employment, domestic investment, export and human capital are considered as the endogenous variables for economic growth. This study finds that there is a significant and positive impact of FDI on South Korean economic growth. The study indicates that employment, human capital and export also have a positive and strong impact, while domestic investment has no significant impact on South Korean economic growth. The study concluded that the interaction effects of

FDI- human capital and FDI-export indicate that the transfer of high technology and knowledge has an adverse impact on South Korean economic growth.

Afzalur (2015) investigated the impact of Foreign Direct Investment (FDI) on the economic growth of Bangladesh. Time series data covering the period between 1999-2013 were analyzed using multiple regression model to observe the relationships between independent variable (FDI) and the dependent variables (macroeconomic indicators). To achieve his objective, he conducted statistical analyses of the relationships between FDI and its impact on selected macroeconomic indicators; Inflation rate, Gross Domestic Product and Balance of Trade. The findings obtained suggested that there is a negative correlation between FDI and economic growth in Bangladesh. Earlier research conducted by Najia, Masnoon & Rafique (2013), discovered that the economy performance of Pakistan is negatively affected by Foreign Direct Investment while its domestic investment has benefitted the economy.

Sarumi (2006). examined the contribution of foreign direct investment to economic growth in Africa using graphical and regression analysis. Data for the entire continent and data for eleven countries within the continent were used for the empirical analysis. Eleven countries were selected based on the following criteria: growth rate, strong currency value, population and Geographical spread. Angola, Botswana, Burkina Faso, Central African Republic, Cote d' Ivoire, Egypt, Mali, Nigeria, South Africa, Tunisia and Republic of Benin were the eleven countries selected. The time series data is from 1970-2003 except for Botswana (1975-2003) were sourced and analyzed. It was discovered that the contribution of FDI to economic growth is estimated to be positive in most of the countries but not significant.

Adeleke et al. (2014), the investigation broke down the effect of foreign direct investment Nigeria economic growth over the period of 1999- 2013. secondary data was used primarily for the study sourced from different productions of Central Bank of Nigeria, for example, Statistical Bulletin, Annual Reports and statement of Accounts. The regression analysis was utilized in this research to decide the relationship between and effect Foreign Direct Investment on economic growth. The discoveries uncovered that economic growth is directly identified with inflow of foreign direct investment

Olusanya (2013), the study investigates the impact of Foreign Direct investment inflow and economic growth in a pre and post deregulated Nigerian economy, a Granger causality test was

use as the assessed procedure between 1970 - 2010. However, the examination de-aggregated the economy into three periods; 1970 to 1986, 1986 to 2010 and 1970 to 2010, to test the causality between foreign direct investment inflow (FDI) and economic growth (GDP). In any case, the findings of the causality test demonstrate that there is causality relationship in the pre-deregulation time that is (1970-1986) from economic growth (GDP) to foreign direct investment inflow (FDI) which implies GDP causes FDI, yet there is no causality relationship in the post-deregulation period that is (1986-2010) between economic growth (GDP) what's more, Foreign direct investment inflow (FDI) which implies GDP causes FDI. In any case, between 1970 to 2010 it demonstrates that is causality relationship between economic growth (GDP) and foreign direct investment inflow (FDI) that is economic growth drive foreign direct investment inflow into the nation and the other way around.

Opusunju (2016). examined the impact of foreign direct investment on the economic growth in Nigeria. Time series data were collected from secondary source covering a period of 13 years from 2002 to 2014. Inflation rate, GDP, unemployment rate and exchange rate were used as proxies for economic growth. The Ordinary Least Square was adopted and finding reveals that FDI has a significant relationship with the economic growth in Nigeria.

**5. Research Methodology.**

The research makes use of secondary data using simple ordinary least-square regression model to measure the effects and relationships between the independent variable and the dependent variable using Eviews 9.0. Foreign Direct Investment (FDI) serve as the independent variable while economic growth is the dependent variable. GDP, exchange rate, inflation rate, unemployment rate, total savings and interest rate are used as proxies for economic growth. Data on FDI, GDP, exchange rate, unemployment rate, savings and interest rate were derived from the CBN Annual Statistical Bulletin, World bank Report, National Bureau of Statistics. The research covers 31-year period 1985-2016.

The simple regression model is stated below

$GDP = \beta 0 + \beta 1\ FDI + \mu$….....equ. (i)

$EXCH = \beta 0 + \beta 1 FDI + \mu$….....equ. (ii)

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UNEMP= β0+ β1 FDI + μ….....equ. (iii)

SAV= β0+ β1 FDI + μ….....equ. (vi)

INTER= β0+ β1 FDI + μ….....equ. (v)

Where FDI= Foreign Direct Investment, GDP= Gross Domestic Product, EXCH= exchange rate, INFL= inflation rate, UNEMP= unemployment rate, SAV= saving, INTER= interest rate, μ= Error term capturing, other explanatory variables not explicitly included in the model and β0 = Constant Parameter.

**5.1 Unit Root Test**

The stationarity property of a time series data can be examined by conducting unit root test in order to ascertain the stationarity or otherwise of the series variables (Akinola,2016). The first step involves testing the order of integration of the individual series under consideration. Researchers have developed several procedures for the test of order of integration (Omoke, 2010). The most commonly used are Augmented Dickey-Fuller (ADF) test due to Dickey and Fuller (1979, 1981), and the Phillip-Perron (PP) due to Phillips (1987) and Phillips and Perron (1988).

Augmented Dickey-Fuller test relies on rejecting a null hypothesis of unit root (the series are non-stationary) in favor of the alternative hypotheses of stationarity. The tests are conducted with and without a deterministic trend (t) for each of the series. (Omoke, 2010)

The test for unit root for a variable *Y is* carried out using the following specification:

$\Delta Y_t = \beta_0 + \beta_1 Y_{t-1} + \beta_2 t + \sum \alpha_i \Delta Y_{t-i} + \mu_t$……

Where:

$\Delta Y_t$ = the differenced value of the dependent variable $\beta_s$ = Coefficients of the series variable $t$ = Trend Variable, $Y_{t-1}$= First lag value of a series variable, $\Delta Y_{t-i}$ = Lag values of the differenced series variable

$\sum \alpha_i \Delta Y_{t-i}$= the vector of the coefficients of lags of the first difference of the estimated residuals Term $\mu_t$ =

Estimated stochastic disturbance term.

***Augmented Dickey-Fuller and Phillips-Perron Unit Root Test Results***

| | UNIT ROOT RESULT | | | | |
|---|---|---|---|---|---|
| **Variables** | **ADF** | | **PP** | | |
| | **Constant** | **Constant & Trend** | **Constant** | **Constant & Trend** | **Order of Integration** |
| **FDI** | **0.464347** | **-0.766096** | **0.9539** | **0.96570** | **I(0)** |
| **GDP** | **-3.22283**** | **-3.4700983***** | **-3.33765**** | **-3.60396**** | **I(0)** |
| **SAV** | **-2.31686** | **-2.89220** | **-2.316863** | **-2.892201** | **I(0)** |
| **EXCH** | **0.002660** | **-2.27084** | **0.015873** | **-2.70841** | **I(0)** |
| **INTER** | **-5.47255*** | **-6.001800*** | **-5.417142*** | **-6.775435*** | **I(0)** |
| **UNEMP** | **-1.764786** | **-2.285780** | **-1.730565** | **-2.326712** | **I(0)** |
| **ΔFDI** | **-5.02385*** | **-7.079003*** | **4.90981*** | **-5.33633*** | **I(1)** |
| **ΔGDP** | **-7.25364*** | **-7.110492*** | **-13.67548*** | **-15.30531*** | **I(1)** |
| **ΔSAV** | **-6.16466*** | **-6.152505*** | **-6.288206*** | **-6.503377*** | **I(1)** |
| **ΔEXCH** | **-4.98670*** | **-4.940762** | **-4.984511*** | **-4.94265*** | **I(1)** |
| **ΔINTER** | **-6.90896*** | **-6.751087*** | **-27.31317*** | **-28.28863*** | **I(1)** |
| **ΔUNEMP** | **-6.01463*** | **-5.933202*** | **-6.094692*** | **-6.017892*** | **I(1)** |

**Source: Authors' computations.**

**Using Eviews 9.0**

***Order of integration at 1%.**

****Order of integration at 5%.**

*****Order of integration at 10%.**

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Unit root tests were conducted using the Augmented Dickey-Fuller (*ADF*) and Phillips-Perron (*PP*) unit root tests. This is necessary in order to determine the nature of the series as well as to avoid spurious regression. The table above summarized the results of the tests which however, suggest that all the variables with the exception of Interest rate (INTER) are non-stationary in levels but in first differences

**5.2 General Findings of the Hypotheses.**

**5.2.1 $H_{01}$: There is no significant relationship between FDI and Gross Domestic Product in Nigeria**

Dependent Variable: GDP
Method: Least Squares
Date: 09/02/17 Time: 17:32
Sample: 1986 2016
Included observations: 31

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 14521.93 | 9318.024 | 1.558477 | 0.1474 |
| FDI | 2.956944 | 0.722635 | 4.091890 | 0.0018 |

| | | | |
|---|---|---|---|
| R-squared | 0.603512 | Mean dependent var | 44371.98 |
| Adjusted R-squared | 0.567467 | S.D. dependent var | 31782.91 |
| S.E. of regression | 20902.74 | Akaike info criterion | 22.87379 |
| Sum squared resid | 4.81E+09 | Schwarz criterion | 22.96070 |
| Log likelihood | -146.6796 | Hannan-Quinn criter. | 22.85592 |
| F-statistic | 16.74356 | Durbin-Watson stat | 0.997305 |
| Prob(F-statistic) | 0.001784 | | |

The table shows the result of the regression analysis. The coefficient of GDP is positive and significant at 1%. The p-values of value is 0.0018 is less than the t-statistic value of 4.09189. The

adjusted $R^2$ 0.57 or 57% which revealed that the variable in the equation explained 57% of the variations in the equation while the remaining 43% is explained by other variables not included in the equation. In other words, the R-square value of 57% expresses the percentage effect of FDI on GDP. Therefore, will reject the null hypothesis because there exists a significant relationship between FDI and GDP. The regression line is GDP= 14521.93+ 2.956944FDI.

**5.2.2 $H_{02}$: There is no significant relationship between FDI and exchange rate in Nigeria**

Dependent Variable: EXCH

Method: Least Squares

Date: 09/02/17 Time: 17:38

Sample: 1986 2016

Included observations: 31

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 129.1740 | 5.035673 | 25.65179 | 0.0000 |
| FDI | 0.001409 | 0.000391 | 3.607725 | 0.0041 |

| | | | |
|---|---|---|---|
| R-squared | 0.541966 | Mean dependent var | 143.3969 |
| Adjusted R-squared | 0.500327 | S.D. dependent var | 15.98062 |
| S.E. of regression | 11.29632 | Akaike info criterion | 7.827469 |
| Sum squared resid | 1403.674 | Schwarz criterion | 7.914384 |
| Log likelihood | -48.87855 | Hannan-Quinn criter. | 7.809604 |
| F-statistic | 13.01568 | Durbin-Watson stat | 0.824355 |
| Prob(F-statistic) | 0.004114 | | |

The table shows the result of the regression analysis. The coefficient of exchange rate is positive and significant at 1%. The p-values of value is 0.0041 is less than the t-statistic value of 3.6077. The adjusted $R^2$ 0.50 or 50% which revealed that the variable in the equation explained 57% of the variations in the equation while the remaining 50% is explained by other variables not included in the equation. In other words, the R-square value of 50% expresses the percentage effect of FDI on exchange rate. Therefore, will reject the null hypothesis because there exists a

significant relationship between FDI and exchange rate. The regression line is EXCH=129.1740+0.001409FDI

### 5.2.3 $H_{03}$: There is no significant relationship between FDI and unemployment rate in Nigeria

Dependent Variable: UNEMP

Method: Least Squares

Date: 09/02/17 Time: 17:40

Sample: 1986 2016

Included observations: 31

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 15.32617 | 2.395517 | 6.397855 | 0.0001 |
| FDI | -0.000166 | 0.000186 | -0.891709 | 0.3916 |

| | | | |
|---|---|---|---|
| R-squared | 0.067413 | Mean dependent var | 13.65385 |
| Adjusted R-squared | 0.017368 | S.D. dependent var | 5.327697 |
| S.E. of regression | 5.373763 | Akaike info criterion | 6.341572 |
| Sum squared resid | 317.6506 | Schwarz criterion | 6.428487 |
| Log likelihood | -39.22022 | Hannan-Quinn criter. | 6.323707 |
| F-statistic | 0.795146 | Durbin-Watson stat | 1.274386 |
| Prob(F-statistic) | 0.391637 | | |

The table shows the result of the regression analysis. The coefficient of unemployment rate is negative and insignificant at 1% and 5%. The p-values of value is 0.3916 is greater than the t-statistic value of -0.892 The adjusted $R^2$ 1.7% which revealed that the variable in the equation explained 1.7% of the variations in the equation while the remaining 98.3% is explained by other variables not included in the equation. In other words, the R-square value of 1.7% expresses the percentage effect of FDI on unemployment rate. Therefore, will accept the null hypothesis because there exists no significant relationship between FDI and unemployment rate. In spite of

the presume increment in FDI the unemployment rate in the country still continues to increase. The regression line is UNEMP=15.32617- 0.000166FDI

**5.2.4 $H_{04}$: There is no significant relationship between FDI and savings in Nigeria**

Dependent Variable: SAV

Method: Least Squares

Date: 09/02/17 Time: 17:43

Sample: 1986 2016

Included observations: 31

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 1293.674 | 912.2453 | 1.418121 | 0.1839 |
| FDI | 0.403091 | 0.070747 | 5.697657 | 0.0001 |

| | | | |
|---|---|---|---|
| R-squared | 0.746913 | Mean dependent var | 5362.839 |
| Adjusted R-squared | 0.723905 | S.D. dependent var | 3894.590 |
| S.E. of regression | 2046.402 | Akaike info criterion | 18.22619 |
| Sum squared resid | 46065380 | Schwarz criterion | 18.31311 |
| Log likelihood | -116.4702 | Hannan-Quinn criter. | 18.20833 |
| F-statistic | 32.46330 | Durbin-Watson stat | 1.349855 |
| Prob(F-statistic) | 0.000139 | | |

The table shows the result of the regression analysis. The coefficient of total saving is positive and significant at 1%. The p-values of value is 0.0001 is less than the t-statistic value of 5.697657. The adjusted $R^2$ 72% which revealed that the variable in the equation explained 72% of the variations in the equation while the remaining 28% is explained by other variables not included in the equation. In other words, the R-square value of 72% expresses the percentage effect of savings dimension on FDI jointly explained by savings. Therefore, will reject the null hypothesis because there exists a significant relationship between FDI and total savings. The regression line is SAV= 1293.674+ 0.403091FDI.

**5.2.5 $H_{05:}$ There is no significant relationship between FDI and interest rate in Nigeria**

Dependent Variable: INTER
Method: Least Squares
Date: 09/02/17 Time: 17:45
Sample: 1986 2016
Included observations: 31

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 18.10839 | 0.634995 | 28.51736 | 0.0000 |
| FDI | -6.93E-05 | 4.92E-05 | -1.406392 | 0.1872 |

| | | | |
|---|---|---|---|
| R-squared | 0.152408 | Mean dependent var | 17.40923 |
| Adjusted R-squared | 0.075354 | S.D. dependent var | 1.481365 |
| S.E. of regression | 1.424458 | Akaike info criterion | 3.686098 |
| Sum squared resid | 22.31990 | Schwarz criterion | 3.773014 |
| Log likelihood | -21.95964 | Hannan-Quinn criter. | 3.668233 |
| F-statistic | 1.977938 | Durbin-Watson stat | 1.557094 |
| Prob(F-statistic) | 0.187224 | | |

The table shows the result of the regression analysis. The coefficient of interest rate is negative and insignificant. The p-values of value is 0.1872 is greater than the t-statistic value of -1.406393 The adjusted $R^2$ 7.5% which revealed that the variable in the equation explained 7.5% of the variations in the equation while the remaining 92.5% is explained by other variables not included in the equation. In other words, the R-square value of 7.5% expresses the percentage effect of interest rate dimension on FDI jointly explained by interest rate. Therefore, will accept the null hypothesis because there exists a no significant relationship between FDI and interest rate. The regression line INTER= 18.10839-6.93E-05FDI

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## 6. Discussion of Findings

The above analyses clearly showed the impact of foreign direct investment on the economy growth of Nigeria to significant. FDI has positive and significant impact on GDP, exchange rate and total saving in the country while negative and insignificant effect on unemployment rate and interest rate. The study is in supports the work of Opusunju et al (2016) on the significant of FDI GDP while disagrees on its significant on exchange rate. The work is also in tandem with Sarumi (2006), Khaliq & Noy (2007), Njeru (2013) Adeleke et al. (2014) that Direct Foreign Investment is a must and inescapable in economic growth of a nation. But disagrees with the work of Najia et al, (2013), Afzalur (2015), Lyroudi (2004) which argued that there is a negative correlation between FDI and economic growth.

## 7.Conclusion and Recommendation

The paper studied the impact of Foreign Direct Investment on Economic growth in Nigeria (1985-2016). The research showed a positive relationship between FDI and economic growth. Many studies conducted have found strong relationship between FDI and economic growth. The Nigerian economy as an emerging market need a lot of FDI to complete favourably and reduce reliance on imported goods. Based on the above submission, the following recommendation are advanced.

1. The government of Nigeria must put all hands-on desk formulating policies and necessary reforms to ensure that foreign direct investments are attracted to benefit the populace at large

2. In spite of the large amount of FDI in Nigeria, unemployment rate is still high. Local content must be encouraged- that is ensuring that jobs are not contracted out if Nigerians can perform them effectively and efficiently.

3.The frequent rate of arm conflicts and religious riots in Nigeria must be discouraged and perpetrators must be arrested and publicly brought to justice to serve as a deterrent to others.

4. Institutionalized corruption both in private and public sector must be fought if the nation must attract FDI. We must change our ways of doing things.

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