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FOREIGN DIRECT INVESTMENT, TRADE OPENNESS AND ECONOMIC GROWTH: EVIDENCE FROM NIGERIA

AZU, Benedict
Department of Economics, University of Delta, Agbor, Delta State
Mobile No: +234-08037847512 Email: benedict.azu@unidel.edu.ng

Abstract
The globalization movement, which presents enormous prospects for the majority of developing nations to achieve quicker economic growth through trade and investment, has greatly expanded the importance of foreign direct investments (FDI) over the past few decades. FDI helps foreign investors make better use of their resources and assets, and it also helps host nations gain access to superior technology and join global production and commerce networks. This paper examines the dynamic and interrelationship among FDI, trade openness and economic growth in Nigeria. Annual time series for Nigeria from 1980 to 2020 was analyzed using the dynamic Classical Multiple Linear Regression Model, also a pre-estimation test of unit root was first conducted using two approaches. The result shows that a 1% increase in FDI would have the reverse effect on economic growth, reducing it by 19% annually, with all other parameters being constant. It demonstrates unfavorable trends for foreign direct investment and trade openness, demonstrating a weak correlation between these variables and the Nigerian economic growth index. Another component of the model that has dynamic long-term impacts on economic growth is the historical growth trajectory. The results imply that the most recent adjustments to Nigeria's economic indicators have an effect on the present set of economic growth. In order to encourage exports and FDI inflow and to create a business environment that will support Nigeria's output growth dynamics, the essay suggests expanding trade liberalization. In order to allow indigenous enterprises to fully engage in the global economy, it was also suggested that Nigeria's government develop policies to broaden the scope of foreign trade.

Introduction

Trade openness and foreign direct investment (FDI) have emerged as important catalysts for economic growth and development in emerging economies throughout the era of liberalization and globalization. Omisakin, Adeniyi, and Omojolaibi (2009) asserted that Foreign Direct Investment (FDI) is a significant source of funding for domestic investment, fostering capital development in the host nation. Like FDI, trade openness has had a significant effect in determining the stages of economic development in developing nations over a long period of time. FDI was cited as a driver of sustainable development in the Investment Policy for Sustainable Development by the United Nations Conference on Trade and Development (2012), and the World Trade Organization also highlighted trade openness as a driver of sustainability, particularly for developing nations. According to the World Investment Report published by the World Trade Organization and United Nations Conference on Trade and Development in 2012, FDI and trade openness now play important roles in the three main pillars of sustainable development established by the United Nations Commission on Sustainable Development, which are income distribution, environmental quality, and growth.

According to the 1980s endogenous growth hypothesis, FDI and technical advancement would have long-term growth consequences in the host nation due to technology transfer and spillover (Seilan and Jayachandran, 2010). FDI and international trade, particularly through exports and imports, increase competition in global markets and technology transfer, which in turn fosters economic growth in an increasingly globalized economy (Agbarakwe, Anowor

and Ikue, 2018; Romer and Frankel, 1999) Conversely, trade is also impacted by growth (Rodriguez and Rodrik, 2000). In contrast to FDI, which can add on knowledge and technology transfer and increase job opportunities, export expansion provides greater economies of scale, productivity, and removes foreign exchange constraints, thereby providing greater access to international markets (Dritsaki, Dritsaki, & Adamopoulos, 2004).

This article's goal is to analyze the effects of FDI and trade openness on economic growth in Nigeria; throughout the post-liberalization period; using a multivariate methodology, given its importance in explaining growth dynamics in Nigeria and other emerging economies. The study of FDI inflows and trade openness and their effects on economic growth and development is essential. The volume of trade and FDI inflows have increased since the economic liberalization program began in the 1980s, affecting Nigeria's economic growth.

Table 1: Trend of FDI, export, and import as a percentage (%) of GDP.

Years	FDI	Export	Import	Annual GDP
2010	15.5	9.5	10.4	8.00
2011	20.4	9.7	10.5	5.30
2012	14.5	9.3	12.9	4.23
2013	10.2	8.9	7.7	6.67
2014	7.6	9.2	7.7	6.30
2015	5.8	9.4	7.4	2.65
2016	7.8	9.2	6.4	-1.61
2017	5.9	8.6	6.9	0.80
2018	1.7	8.7	7.8	1.92
2019	4.8	8.9	10.4	2.20
2020	5.1	8.8	11.8	-1.79

Author computation 2022

From table 1 above, FDI inflow shows high performance slip, as can be observed between 2010 and 2011, with records of 15.5 and 20.4 percent of gross domestic product GDP respectively, which reduced to 5.8 percent in 2015 and further decline to 5.1 percent in 2020. Similarly, the rate of growth of export shows decreasing trend, thus export rate decreased with fluctuations from 9.5 percent in 2010 to 8.6 percent in 2017, as a percentage of GDP. The growth rate of export continues to fall and reached 8.8 percent in 2020. Thus, the import growth rate also has an identical pattern as the export trend, therefore the share of import rises from 10.4 percent in 2010 to 12.9 percent in 2012 and declined to 11.8 share in the 2020.

Since the beginning of the economic freedom strategy in the 1990s, the capacity of trade and FDI incursions have increased, having an impact on Nigeria's economic growth. Figure 1 below, depicts the pattern in growth in FDI, export, and import as a percentage of GDP from 1986 to 2021.

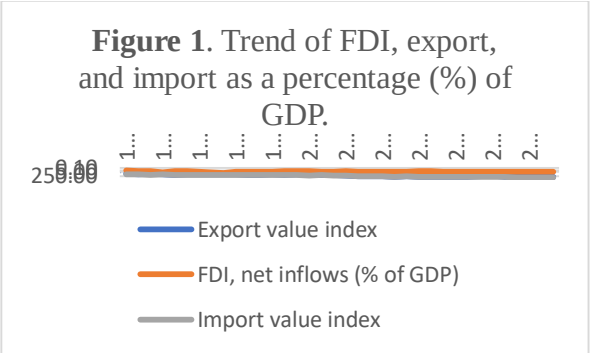

Figure 1. Trend of FDI, export, and import as a percentage (%) of GDP.

The FDI figures demonstrate an increasing trend with some volatility. From 1986 through 2020, there is a general negative trend in the trade openness (import and export) graphs. This shows that the plots' movements show that FDI and trade openness (export and import) statistics have changing means and variances over time. As a result, both the variance and the mean are volatile.

Column 4 reflects the annual percentage annual percentage rate of GDP growth in the post-liberalization era. It illustrates that, during the first stage of reform, Nigeria's GDP growth rate was the lowest, at about 13.12% in 1981. However, it has amplified to 11.77 percent in 1990 and then declined to 5.01 percent in 2000. It further increased to

15.32 percent in 2002 and then declined to 2.65 percent in 2015 and fell steadily to -1.79 percent in 2020. Presenting insecurity and poor governance has play the major in the shortfall of the GDP, the 1980s saw a decline in the economy and noticeable volatility, which were among the few causes that necessitated the swift intervention of the IMF's economic recovery program. Also, one of the factors contributing to Nigeria's economy's significant fall in growth was the sharp decline in crude oil prices, which valued all of the country's crude oil export revenues in 2020 CBN (2022).

The GDP growth (annual %) plots typically display a pattern that is both up and down (with some swings). This implies that the variance and mean of the GDP growth (annual%) data are changing over time, as indicated by the activities of the plots This indicates that the inconsistency is unsteady and the mean is non- constant in other words they tumble over time.

Nigeria's economy was ranked among the fastest growing in the world in terms of GDP growth. As a result, several researchers (Onodogo Kalu and Anowor, 2013; Rodriguez and Rodrik, 2000; Dritsaki, Dritsaki, & Adamopoulos, 2004) have claimed that, among other things, trade (export plus import) and FDI play a key role in realizing economic growth to establish plans for Nigeria and other emerging nations, it is crucial to comprehend the causal relationships between these phenomena because FDI and trade are the most significant factors in explaining growth dynamics. Consequently, the following precise research goals serve as a guide for this study; to investigate how FDI, trade openness and economic growth interact in Nigeria and to assess the dynamics of FDI, trade openness and economic growth in Nigeria.

Literature Review

Various theoretical and empirical research, including FDI and trade openness, have been conducted over the past three years to study the correlation among macroeconomic variables. Most of the theoretical literature on trade contends that trade improves a nation's long-term prospects for growth. Lewer, Van den Berg (2015). According to the new growth theories, trade openness boosts economic growth by expanding the scope of spillover (Anowor et al, 2013). Romer (1990). Additionally, there is growing empirical evidence demonstrating openness to commerce has boosted productivity, growth, technology, and efficiency in both rich and developing nations World Bank, (2015).

Literature has suggested that FDI may result in technology transfer, economic change, technological advancement, and the growth of human capital. Gregorio, Borensztein, and Lee (1998) Additionally, research shows that FDI inflows are crucial for developing nations since they offer the productive capital needed for carrying out economic operations, according to UNCTAD (2016). In the long run, FDI thus complements indigenous capital stock and boosts the nation's economic production capacity Tang, Selvanathan (2008). By sending money to high-risk sectors or emerging businesses with little domestic investment, it helps host countries overcome their capital shortages. Redlin and Gries (2012). There may be additional potential positive spillovers, resulting in greater domestic free enterprise in a crowd economy, where multinational companies (MNEs) have straight inter-firm ties with internal organizations or have a subnational cluster of interconnected operations (Anowor, Ukwueni and Ezekwem, 2013). In addition to the channels mentioned above, FDI can boost the host's exports nation when MNEs set up shop there to engage in export activities.

Base on a time-series approach and co-integration analysis, numerous empirical researches have examined the long-term links among economic growth, trade openness, and growth. For instance, Gries and Redlin (2012) Using a sizable sample of 158 countries between the years 1970 and 2009, it

was discovered 1 that there is a strong long-term positive causal link between trade openness and economic growth, and vice versa. While Kim, Lin, and Suen (2016) used 61 countries' worth of data were examined, and it was discovered that while more trade openness is favorably correlated with real income growth and economic development in poor nations, it is negatively correlated with such growth in rich nations, using a variety of trade liberalization indices for 120 countries between 1970 and 1999, Yanikkaya (2003) discovered that trade has a positive effect on real GDP per capita.

In addition to trade openness, other studies expressly examined at the long-term causal link between FDI and growth. Further particular, empirical data shows that FDI makes a considerable contribution to GDP growth in Southeast Asian nations Liew (2009). Additionally, research that investigated at the effects of FDI and trade-related variables simultaneously on long-term growth have found complex interrelationships, Sothan (2016). It suggests that many patterns and causation relationships may develop. For instance, FDI may result in trade (exports and imports), which drives economic growth without having a direct impact on growth, or FDI and exports may each have a direct impact on growth but nothing else, or there may be additional interdependencies. Dutta, Haider, and Das (2017) investigated the links between trade openness, domestic investment, and economic growth in Bangladesh from 1976 to 2014. They discovered a one-way causal association between foreign direct investment and growth, a two-way relationship between domestic investment and growth and foreign direct investment and domestic investment, as well as a relationship between domestic investment and trade openness.

Studies that have examined the connections between FDI, trade openness, and economic growth have produced conflicting results. Ho and Lau (2015), Sharma (2000) noted that FDI statistically has no discernible impact on export performance in India leads to the conclusion that any linkage result through the export-promotion channel is likely to be weak in the Indian scenario. Hye and Lau (2015) studied the connection between trade openness and economic growth and found that, over the long term, the trade openness index has an unsteady and negative impact on economic growth across the sample. Ved and Sudesh (2007) analyzed the relationship between trade openness and economic expansion in the case of India and found that the two were causally related in both directions. Flowing from the evidence above the effects of FDI inflows and trade openness on economic growth have been extremely inconsistent. The main causes of these discrepancies in the experimental investigations are, among other things, variations in the data that were utilized, the nations, the data capacity and descriptions, and the methodological approaches Omisakinel el et (2009). Since there are few studies on the link between FDI, trade openness and economic growth, the differing viewpoints on the relationship between the variables point to a gap in the research, which piques our curiosity in exploring it further. The long-term co-integrated link between FDI, trade, and economic growth in the context of Nigeria has not been extensively studied. As a result, by investigating Nigeria as a growing nation and using contemporary data along with the link between the aforementioned variables in multivariate form, the paper adds to the body of scholarship.

Relationship between Trade openness, Economic Growth and FDI

One crucial factor in determining economic performance is trade openness. A country's market or market potential is typically indicated by the GDP level of the nation, which draws foreign investment and opens new trade prospects (Onodugo et al, 2014). Trade openness promotes the dissemination of information and technology throughout the economy, which supports the utilization of

comparative advantage by raising exposure to competition. Additionally, because of increased specialization and the division of labor, a nation's productivity and export capacity growth, enhances its overall economic performance. Therefore, it can be stated that, based on solid theoretical foundations, there is a substantial positive relationship between openness and economic growth. There is a vast quantity of empirical research that investigated this linkage in real-world settings. For instance, Le, Kim, and Lee (2015) found that nations with greater trade openness experience relatively faster economic growth than those with greater trade closure. Jonsson and Subramanian (2000) had similar viewpoints. However, the findings lack verifiability. Numerous studies have highlighted the methodological shortcomings and restrictions of research that demonstrates the beneficial association between trade and growth. Trade deterioration and balance of payments crises are two examples of how trade liberalization may hinder the process of economic growth. As a result, it's unclear which factor causes the other when it comes to trade openness and economic growth.

Trade-based growth is likely to be impacted by FDI, either directly or indirectly. Consequently, trade, economic growth, and FDI are linked directly in a reciprocal manner. One of the key factors in understanding the growth portents in emerging nations, according to Hussain and Haque (2016) is trade openness in the form of FDI Because FDI is primarily motivated by two incentives—providing resources to local markets or taking advantage of low-cost production components in the host country—it is anticipated that FDI will have an effect on trade drifts. Hisarciklilar, Kayam, Kayalica, and Ozkale (2006). Is of the view that if nation is export-oriented, it would have a positive effect, and vice versa. After applying the Granger causality test to examine the direction of causalities between FDI, trade, and growth using time series data between 1970 and 2003 for several countries, they discovered that there is generally no significant Granger causality between FDI and GDP, whereas that for GDP and trade varies in different countries.

However, their findings are by no means definitive. Controversial findings were also presented by some empirical pieces. Serge and Yue (2010) used the VAR Granger causality/Block Exogeneity Wald tests and the limits testing integration technique to analyze data for Cote d'Ivoire from 1980 to 2007 and discovered a long-run, unidirectional link between FDI, trade openness, and output. The causality also runs from output, FDI, to trade openness, as well as from trade openness to FDI. The increase of Cote d'Ivoire's output is significantly influenced by both FDI and trade openness. Conversely, Acaravci and Ozturk (2012) analyzed the long-term relationships between FDI, export, and economic growth for Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia using the quarterly data from 1994 to 2008 and the ADRL and Granger causality tests. According to the findings, only the Czech Republic, Slovakia, Poland, and Latvia have long-term co-integration. Also, they discovered that in these countries, FDI had a bigger influence on growth than exports.
2.2.1 Foreign Direct Investment in Nigeria

According to Mottaleb and Kalirajan (2010) foreign direct investment (FDI) is essential for emerging nations to have rapid economic growth. Some developing nations, such as Nigeria, Ghana and Sudan, are the primary recipients of FDI because of certain appealing qualities. Palm oil, cocoa, and other mineral resources have always been present in Nigeria. The ministry of Chamber of Mines in Nigeria estimates that between 1960 and 2017, 4000 metric tons of gold were produced. Nigeria is the continent’s largest producer of crude oil in Africa. Because of this, the nation has been working to entice FDI using these resources Osei (2014).

Salem, Zahid, and Shoab (2013) examined the influence on FDI caused by Pakistan's growth and inflation with the aids of time series data between 1990 -2000. While GDP and inflation are treated as independent variables, FDI is treated as a dependent variable. the researcher utilized time series data regression to analyze how FDI affected growth and inflation. The outcome implies a positive relationship between growth and foreign direct investment. The two studies show that the disparate estimation methods are to blame for the inconsistent findings. Salem et al. (2013) used a multiple regression analysis, whereas Mehmet used the Johansen cointegration test. The earlier also included Trade as a control variable to guard against omission bias. Similarly, Muritala (2011) examined at the long-term cointegration relationship between growth, investment, and inflation in Nigeria from 1980 to 2006. According to the results of the ordinary least squares analysis, inflation has both a negative and a positive relationship with growth. The connection between growth, FDI, and inflation is not examined in any study.

Gross Domestic Product

Increased economic growth indicates the potential for progress and presents opportunities for business Adi, Wobilor, and Adimani (2015). According to Dondashe and Phiri (2018), Onodugo et al (2018) the gross domestic product and foreign direct investment have a positive and significant association. Equally, Ebiringa and Emeh (2013) contend that GDP has a long-term beneficial impact on flows of foreign investment. Also, Wasseja and Mwenda (2015) discovered GDP as a key factor in determining inflows of investment from abroad.

Inflation

Ercakar (2011) examined the connections between growth, FDI, trade, and inflation in Turkey using annual time series data spanning the years 1970 to 2008. The findings of the Johansen cointegration test indicated a favorable correlation between growth, inflation, and FDI. According to Ebiringa and Emeh (2013), macroeconomic concerns like inflation result in greater expenses for businesses, which force them to spend more money ensuring risk protection. Wasseja and Mwenda (2015) argument is supported by Djokoto and Dzeha (2012), who draw the conclusion that poor FDI inflows are a result of high inflation. Additionally, (Adi et al. (2018); Ohazulike, 2012) make reference to the notion that inflation has a major detrimental impact on an economy's ability to attract FDI. Adopting annual time series data spanning the years 1980 through 2009, Omankhanlen (2011) investigated the effects of exchange rates and inflation on FDI and how that affects Nigeria's economic growth. As additional controls, gross fixed capital creation and government spending were included. The thirty-year data were subjected to a linear regression analysis to ascertain the connection between economic growth, FDI inflows, exchange rates and inflation.

Trade Openness

For a country to draw foreign direct investment, its level of internal trade openness is important. "Adi et al" (2015). The ratio of imports + exports to gross domestic product is used to measure trade openness. A more open economy indicates a more liberalized and open economic and trading system (Nwonye et al, 2020). Trade openness thus hurts FDI inflows. Trade openness, according to Dondashe and Phiri (2018), can help a nation draw in foreign direct investment. According to Owusu (2017), trade liberalization has little influence on the inflows of foreign direct investment. It was discovered that a business-friendly climate is more effective at attracting FDI. Kalirajan and Mottaleb (2010).

Data and Methodology

This study adopted the annual time series for Nigeria from 1980 to 2020 from World Development Indicators to investigate the study's main purpose the relationship between foreign direct investment, trade

openness, and economic development (WDI). The choice of the time was made based on the availability of data. World Development Indicators (WDI, 2019) provided the data set for the variables FDI and trade openness (TOP), while the Central Bank of Nigeria provided the data series for the Gross Domestic Product (GDP). The following measurements are made for the model's variables: As the dependent variable, we utilized real GDP per capita as a proxy for economic growth.

The growth function is the basis for the model specification, and it is hypothesized that, in the presence of excellent institutional quality, the level of economic performance is sensitive to foreign capital and trade flows. Agrawal and Flora (2017). FDI, calculated as the net inflow of foreign direct investment as a share of GDP, and trade, calculated as total trade as a share of GDP, are the independent variables. Economic growth is proxied by GDP, while FDI is represented by net inflows as a percentage of GDP and the variable trade openness is proxied by export plus import or GDP as a percentage of GDP. The statistical and data analysis software used is E-view.

The paper analyzed the dynamic and long-run association among GDP growth (annual%), foreign direct investment, inflation, and trade openness using the dynamic Classical Multiple Linear Regression Model. The pre-estimation test of unit root was first conducted using two approaches. The first approach assumes common unit root process, while the second assumes individual unit root process.

The model is specified as follows:

gdp = f (dgdp + fdi + top + inf +dir) ……..... ..... (3.1)

$gdp_t = \beta_o + \delta gdp_{t-1} + \beta_1 fdi_t + \beta_2 trd_t + \beta_3 oex_t + \beta_4 inf_t + \beta_4 dir_t + \mu_t$ …… (3.2)

where,

gdp = Gross Domestic Product (GDP) growth (annual %)

gdp_{t-1} = initial value of GDP growth

fdi = Foreign direct investment, net inflows (% of GDP)

oex = Official exchange rate (LCU per US$, period average)

top = Trade openness, i.e., export plus import as percentage of GDP.

inf = Inflation, consumer prices (annual %)

dir = Deposit interest rate (%)

Result

The regressions result of the interrelationship among FDI, trade openness and economic growth in Nigeria are presented below. It starts with the pre-estimation analysis of unit root test, to examine the pattern and structure of the variables used. In the result Levin, Lin & Chu t – test assumes common unit root process, while Im, Pesaran and Shin W-stat, ADF - Fisher Chi-square, and PP - Fisher Chi-square unit root tests assume individual unit root processes, respectively.

Table 4.1: Group unit root test: Summary

Series: DIR, FDI, GDP, INF, OEX, TOP

Method	Statistic	Prob.*	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-4.69970	0.0000	6	236
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-5.28345	0.0000	6	236
ADF - Fisher Chi-square	57.2438	0.0000	6	236
PP - Fisher Chi-square	59.5285	0.0000	6	240

** Probabilities for Fisher tests are computed using an asymptotic Chi
-square distribution. All other tests assume asymptotic normality.

The result suggests that the relationship in question exhibits linear combination. That is, there is a long-run association among FDI,

trade openness and economic growth in Nigeria, provided other factors are kept fixed. On this note, and for the robustness of the findings, this paper presents the short-run and the long-run result for the two models analysed in this article. This paper presents in Table 4.2 Model 1 results in its short-run ECM and short-run dynamic ECM approaches. Also presented in Table 4.1 is the long-run ECM and dynamic results.

Table 4.2: The ECM and Dynamic results

Dependent Variable: GDP

Variable	Short run		Long run	
	Model 1	Model 2	Model 1	Model 2
GDP(-1)		0.609420 (0.3161)		-0.859798 (0.0000)
FDI	-0.714668 (0.1771)	-0.462271 (0.3590)	-0.197411 (0.0110)	-0.847135 (0.2862)
TOP	-0.000905 (0.7536)	-0.001373 (0.6511)	-0.00365 (0.4090)	-0.003076 (0.4857)
OEX	0.835343 (0.1691)	-4.485269 (0.2394)	-0.026744 (0.5561)	0.046552 (0.0217)
INF	0.661711 (0.6965)	-3.646068 (0.0442)	-0.51346 (0.5626)	-0.069276 (0.4601)
DIR	0.208458 (0.5847)	0.358428 (0.3476)	0.695728 (0.0391)	0.036905 (0.0329)
ECM(-!)	-0.886444 (0.0000)	-1.539561 (0.0240)		
C	-4.998280 (0.3529)	-2.026031 (0.4613)	-7.696641 (0.4811)	-7.736987 (0.0685)
R-squared	0.487906	0.552724	0.420899	0.531421
Adjusted squared	R-0.394798	0.454883	0.234759	0.428920
Durbin-Watson stat	1.910410	1.752518	2.284865	1.979912
F-statistic	5.240210	5.649178	1532.767	5.184517
Prob(F-statistic)	0.000695	0.000262	0.047705	0.000505

The result indicates that in the short-run FDI has a negative insignificant effect on economic growth both in the static and dynamic disposition. However, in the long-run, the result reveals that FDI has a significant but negative long-run association with economic growth. It suggests that a 1%-point increase in FDI, rather than increasing economic growth, would decrease economic growth by 19% annually, other factors remaining fixed. In the four segments of the result as presented in Table 4.1, FDI and trade openness exhibit negative signs, signifying their negative association with Nigeria economic growth index. Another factor that shows dynamic long-run effect on economic growth in the model is the past growth trajectory. The result indicates that the previous changes in Nigerian economic indicator influence the present set of economic growth. On the other hand, trade openness (TOP) variables has proven to be the only indicator that shows statistical significant effect on growth. Similar to the result of the FDI; TOP has negative effect on growth in Nigeria. The result suggests that a 1%-point increase in trade openness would decrease economic growth in the short-run by 0.09% in the static model, and 0.1% in the dynamic model, respectively. In the long-run result, it shows that a 1%-point increase in trade openness would decrease economic growth by 0.03%, respectively for both the static and dynamical settings.

In the analysis, the official exchange rate (OEX), inflation rate and the deposit interest rate show insignificant effects in all the models except that of the dynamic long-run model. The result suggests that 1%-point increase in OEX would increase economic growth in Nigeria by 4.6%, while a 1%-point increase in inflation rate would decrease economic growth by 6.9% other variables kept fixed. Similarly, a 1%-point increase in the DIR would dynamically improve economic growth disposition of Nigeria by 3.6% in the long-run, given that other factors remain constant.

Discussion of Result

The disposition of this result is not generally out of place, it signifies the true position of the benefits of foreign dealings in Nigeria. It shows situations where FDI and trade openness could, impact negatively on a nation's growth indices. FDI per say, is a type of investment where a company based abroad buys a majority stake in a company operating in another nation. Consequent whereas, FDI helps foreign investors make better use of their resources and assets, and it also helps host nations gain access to superior technology

and join global production and commerce networks.

There are numerous arguments in favour of FDI having a detrimental effect on Nigeria's economic expansion. The situation in Nigeria illustrates the crowded-out impact of FDI. The economy of Nigeria may witness FDI crowd in or crowd out. The monopoly power that MNEs have gained over the market is the main unfavourable effect of the crowding out effect. The crowding out effect of foreign direct investment (FDI) on economic growth in Nigeria may occur for these two reasons: First, either domestic firms are eliminated due to the higher efficiency and superior product quality of foreign subsidiaries, or they are eliminated because these foreign affiliates have better access to financial resources or engage in anticompetitive practices. The question of profit repatriation is another justification. Due to the enormous capital withdrawals caused by this profit repatriation, the Nigeria's balance of payments is badly impacted. As a result, the nation's frequently impose restrictions on the amount of profits that MNEs can repatriate in an effort to avoid balance of payments deficits or declining foreign exchange reserves. Such a policy might encourage these MNEs to put their earnings towards various initiatives within the host nation.
This impact is noticeable in an oil-rich nation such as Nigeria, where foreign investments in the oil and gas industry led to the resource boom while undermining the development of the manufacturing and agricultural sectors. Additionally, the Nigerian economy's natural resource industries get the bulk of FDI. Nigeria's regulatory framework is less rigorous or nonexistent. Sometimes an economy willfully tries to exclude or relax its regulatory requirements in order to draw FDI, but this leads to less profit from foreign investment.

Conclusion

The three main drivers of economic growth and development in developing economies are trade openings, and foreign direct investment (FDI). FDI is a significant source of funding for domestic investment, which encourages capital development in the host nation. This article assesses the effects of foreign direct investment and trade openness on economic growth in Nigeria using a multivariate methodology. The findings suggest that, with all other factors remaining constant, an increase in FDI of 1% would have the opposite effect on economic growth, decreasing it by 19% yearly. It reveals negative indications for FDI and trade openness, showing a poor relationship between these variables and the Nigerian economic development index. The historical growth trajectory is another element that has dynamic long-run effects on economic growth in the model. The outcome suggests that the recent changes in the economic indicators for Nigeria have an impact on the current set of economic growth.

However, FDI is narrowed to a limited sector(s) as such does not generate expected employment and yield the expected expansion of the economic as a result of fund repatriation. TOP result may imply low export and GDP and high import. This means some resources in the economy are rather idle. The export may even be dominant of crude oil export for refining, which is later imported for domestic consumption. Thus, this scenario is not healthy for economic growth.

On the basis of the findings, the article recommends increased trade opening in order to promote exports and FDI inflow through the development of a supportive and conducive business climate for Nigeria's output growth dynamics. Also, it was advised that Nigeria's government create policies to widen the scope of international trade in order to enable domestic businesses to fully participate in the global economy.

It is recommended that repatriation of profit should be curtailed; while diversification with the non-repatriated and undistributed profit showed be encouraged to generate employment and increase output of the economy. The economy should encourage

expansion of export base sectors and rehabilitation of the refineries, so to generate employment, stop export of crude oil and import of refined crude oil for domestic consumption for the economy to be healthier.

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