Abstract: This is undoubtedly an era of increasingly symbiotic socio-economic relationships among states and non-state entities, at sub-regional, regional and global levels. This study holistically examined the nature, impacts and challenges of Foreign Direct Investment (FDI) in Nigeria. The study also investigated whether FDI automatically solves the problem of poverty, among others. This study adopted doctrinal research methodology, which relies on both primary and secondary sources of data. From the study, it was revealed that varying local conditions and variables affect the impact of FDI on the economic growth and development of a nation. The finding further reveals that FDI without more, does not necessarily guarantee economic growth or sustainable development. This study concludes that FDI could be better positioned to drive national, regional and global economy and ensure sustainable development, if the identified challenges are tackled with spirited efforts and political will. Hence, some well-considered recommendations were made.

Keywords: FDI, Nigeria, determinants, challenges, incentives, impacts

1. Introduction and Definitional Perspective

The United Nations Conference for Trade and Development (UNCTAD), in its 11th June, 2012 Investment Framework Policy Report stressed the importance of investments in the face of global economy realities, thus: ‘At a time of persistent crises and pressing social and environmental challenges, harnessing economic growth for suitable and inclusive development is more important than ever. Investment is a primary driver of such growth. Mobilizing it and ensuring that it contributes to sustainable development objectives is important for all countries.’

Against the above background, a new generation of investment policies are emerging, pursuing a broader and more intricate development agenda, while building or maintaining a generally favourable investment climate. FDI is the category of international investment that reflects the objective of obtaining a lasting interest by an investor in one economic in an enterprises resident in another economy. FDI may be seen as an alternative economy strategy, adopted by those enterprises that invest to establish a new plant/office or alternatively, purchase existing assets of a foreign enterprise. FDI has for long been the most viable method of wealth and technological transfer between the developing and the developed countries of the world. Bennell posits that it is now widely recognized that the future of development of sub-Saharan Africa (SSA) depends considerably upon the success of individual economies in attracting relatively large inflows of FDI into high potential growth sectors.

In Nigeria, FDI is defined as an investment undertaken by an enterprise that is either wholly or partly foreign. The Organization for Economic Co-operation and Development (OECD), succinctly described FDI as follows: An integral part of the international economic system and a major catalyst for development or the flow of capital and human
resources from one country to another. FDI is thus part of the economic system that stimulates economic growth including infrastructural development. In view of the role of foreign capital inflow as investment mechanism for economic growth in most countries, it is a strong indicator of the economic strength of a nation. The United Nation defines FDI as investment in enterprises located in one country but ‘effectively controlled’ by residents of another country. Nigeria endowed with rich human and natural resources which makes it well positioned to attract FDI, but this contrast sharply with the reality, despite government efforts in this direction.

2. History and Evolution of FDI in Nigeria

The history of FDI in Nigeria dates back to the pre-colonial era where various investments were made on infrastructure and service. The Royal Niger Company was a mercantile company chartered by the British Government in the Nineteenth Century. Royal Niger company is an example of FDI in the colonial era. It was formed in 1879 as a United African Company and renamed National African Company in 1881 and Royal Niger Company in 1886. In 1929 the company became part of the United African Company which came under the control of Unilever in the 1930s and continued to exist as a subsidiary of Unilever until 1987, when it was absorbed into the parent company. In 1990 the company controlled territories became the Southern Nigeria protectorate. It extended British influence in what later became Nigeria. Another FDI in colonial era is in the banking sector, in 1892 the African Banking Corporation (ABC) commenced the activities of banking in Lagos, the ABC was a South African based bank which came to Nigeria by way of FDI to do business. Closely coming on the heels of this is the British Bank of West Africa which commenced Banking activities fully in Lagos in 1894 and established a branch in Calabar in 1900. In 1917, the colonial Bank was established in Nigeria which later became Barclays Bank in 1925. Following the independence in 1960, the first National Development plan was made and aimed at repositioning the economy for industrial take-off.

Between 1962 and 1968, about 400 million Naira was estimated as proceeds from FDI. However, the implementation of the plan was cut short due to military intervention 1966 and the civil war of 1967-1970. Various policies and decrees were designed by the government thereafter towards encouraging FDI into the country. In 1986, Nigeria introduced the Structural Adjustment Programme (SAP), aimed at encouraging and promoting foreign investment in Nigeria. According to Anyawa, one of the main focus observed was to rationalize and restructure the tariff regime in order to aid the promotion of the industrial diversification. The drive to attract foreign direct investment got to a point in the recent past that foreign private investment dominate virtually all the sectors of the Nigerian economy. A typical example was in 1970s, out of the total manufacturing and processing establishments, 57.3% and 52.5% belong to foreigners while only 42.7% and 47.3% were owned by Nigerians. This situation continued until when the Indigenization Act of 1977 was promulgated which changed ownership structure such that in 1980, Nigerians owned 52.4% of firms while foreign firms was 47.6%.

Today, the trend has been reversed such that in reality Nigeria is seriously wooing foreign investors into the country. In a bid to encourage foreign investment, full and partial ownership of businesses by foreigners is permitted in Nigeria.
3. Nature of Foreign Direct Investment

Foreigners desiring to participate in Nigerian enterprise may do so in different ways (modes) namely; Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), International Commerce and Official Flows etc. FDI involves capital flow across boundaries, while Foreign Portfolio Investments (FPI) are simply investing capital in equity and other markets. FDI capital flows usually relates to investments in the manufacturing sector such as building of factory to make autos, construction sector, agricultural sector, mining and exploration sector, etc. Unlike FDI, capital portfolio investment is extremely risky for the receiving countries as they can be pulled out.

The focus of this article is on the FDI category. FDI may be seen as an alternative economic strategy adopted by the investors to establish a new plant/office, or alternatively, purchase existing assets of a foreign enterprise. These enterprises seeks to compliment or substitute international trade, by producing (and often selling) goods and services in countries other than where the enterprise is first established. There are various kinds of FDI: (i) The creation of productive assets by foreigners, (ii) the purchase of existing assets by foreigners (for example through acquisitions, mergers, takeovers) or; (iii) by joint venture with a foreign company which is one of the most popular modes of foreign participation in Nigeria as it allows for control of operations of the company by the foreign investor.

Foreign Direct Investment (FDI) is a major component of foreign investment. FDI is generally an investment made to acquire lasting interest in an enterprise operating in an economy, other than that of the investor, the investor's purpose being an efficient voice in the management or control of an enterprise.

Nigeria businesses care carried out via different platforms or models, which also apply to foreign direct investment. The common modes used for investment are sole proprietorship, partnership, incorporated companies. The incorporated companies can be private limited liability company or public limited liability company. A foreigner interested in setting up a non-profit organization (NGO) in Nigeria is advised to do so via company limited by guarantee or incorporated trustees.

FDI flows record the value of cross-border transactions related to direct investment during a given period of time, usually a quarter or a year. Financial flows consist of equity transactions, re-investment of earnings, and intercompany debt transactions. FDI can be outflow or inflow. Outward flows represents transactions that increase the investment that investors in the reporting economy have in enterprises in a foreign economy, such as through purchases of equity or reinvestment of earnings, less any transactions that decrease the investment that investors in the reporting economy have in enterprises in a foreign economy, such as sales of equity or borrowing by the resident investor from foreign enterprise. Inward flows represent transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy, less transactions that decrease the investment of foreign investors in resident enterprises. FDI flows are measures in USD and as a share of GDP. FDI creates stable and long lasting links between economies.

The classification of FDI is based on three triadps; firstly on the direction of investment (both for assets or liabilities), secondly, on the investment instrument used (shares, loans, etc.); and thirdly on the sector breakdown. FDI which is mostly carried out by multinational corporations (MNC) or transnational Corporation (TNC) differs from portfolio investment in that the former does carry control over the borrowing entity, while the latter may not involve any direct control over the use of lending fund.

FDI can be undertaken by individuals, firms and governments.
4. Theoretical Bases for Foreign Direct Investment

Several theories or philosophies explain the bases of FDI as a phenomenon today and some of them are examined one after the other as follows:

Capitalism theory is the first in this direction. The quest for and deployment of foreign capital for national development has become a universal phenomenon in global economic relations. This is more so that the economies of most states of the world today stand on capitalism characterized by cross-border economic transactions. Partly motivated by the search for raw materials, Britain had colonized Nigeria and before granting her independence, Britain ensures that the economy of Nigeria was well knotted into the world capitalism in an unequal economic architecture which has made the quest for foreign capital inevitable. Today, the trend is such that the top twenty countries with FDI outflows are the developed countries with the USA topping the list.

Again, FDI is a distinctive denature of multinational enterprises, hence, a theory of FDI is also a theory of Multinational Enterprises as an actor in the world economy. Based on this theory, FDI is not simply an international transfer of capital but rather the extension of enterprise from its home country to foreign host country.

Another theory is the Economic Liberation Theory. This is an era of economic liberalism globally and no country can afford to stay away. The World Trade Organization (WTO) 1998 Press Release shows that recent steps towards macroeconomic stabilization and trade liberalization must be supported by credible structural reform within countries (e.g. Nigeria) wishing to improve the standard of living of its inhabitants. Hence, in Nigeria, the policies of nationalization and indigenization which succeeded economic liberalism however posed some threat to FDI before the country reversed again to embrace economic liberalism through aggressive policies of privatization, commercialization and public private partnership (PPP) etc. Singh, noted that there has been an enormous increase in financial resources flow to developing countries during the last three decades as the world economy has liberalized and become financially more integrated.

Smith came up with the international trade Theory of Absolute Cost Advantage to the effect that it would be beneficial for a country to specialize in the production of commodities which it can produce most efficiently. The shortcoming of Smith’s theory lies in the unrealistic assumption that labour is the only factor of production.

Comparative Cost Theory notes that even if a country has absolute advantage in production of all the commodities and another country has same, so far as there is comparative cost benefit in the production of any of the commodities in the economy, international trade will still be beneficial if each country should specialize (i.e. produce and export the commodity that has comparative cost advantage and import the good that has comparative cost disadvantage).

Other theories include the Theory of Opportunity Cost; The Theory of Vent for –Surplus etc. It is pertinent to stress that all these theories explain Foreign Direct Investment. Also, it is pertinent to stress that FDI stems from international economics with the sub-areas such as international trade, international monetary economics, international finance etc.

5. Nigeria’s Potential to Attract FDI

Foreign investors usually prefer some countries over others at a given time. China has been a favoured destination for FDI for many years due to abundance of cheap labour readily available for exploitation by multi-national corporations. China was the top recipient of foreign capital in 2014, while USA ranked the third in hosting FDI. This may come as a surprise to some investors since usually people think of capital leaving the USA for investment in other countries. But in reality the USA is also a major destination for FDI as other countries try to invest and grow their business in the US market. In addition, compared to other countries, returns can be much higher in the US due to relatively loose...
regulations, excellent and cheap labour pool, favourable tax system, infrastructure, etc. Only five of the top 10 FDI host countries were emerging countries. The US was the top country in FDI outflows while China was the second top country in FDI outflows. This shows that China is not only the top country in FDI inflows but is also a big investor in other countries. China has a huge investment in Latin America and Africa and continues to expand trade partnership with resource-rich countries.

As the developing world's access to international capital in the form of official development assistance and commercial bank borrowing is shrinking due to a massive flow of funds from the western world to the newly emerging market-based economies of Central and Eastern Europe, the poor countries are intensifying their efforts to attract FDI. There are a couple of determinants of FDI and Nigeria has the potentials to attract FDI. Nigeria as a country with a huge human and natural resources endowment, large market, qualifies to be a major recipient of FDI in Africa and indeed one of the leading FDI haven in Africa until recently. The country's estimated population of 180 million portends cheap labour and huge market. Another potential factor that make Nigeria very attractive to FDI is its vast fertile land and good climatic conditions.

Against the expected level of FDI inflows she aspires to attain, the FDI inflow in Nigeria remains insufficient. In fact, the FDI inflows have been consistently characterized by rise and fall. For instance, according to the World Bank, Nigeria's macroeconomic performance over 2005 and 2006 was commendable. However, the recent ranking of 189 countries by World Bank Ease of Doing Business Global Index, Nigeria scored position out of 189 countries. The result showed that Nigeria lacks the capacity to grow its local industries, let alone attract reasonable foreign investors especially in the face of dwindling oil price and exchange rate volatility. The World Economic Global Competitive Index, also ranked Nigeria as 38th out of 144 countries with 286.5 billion US dollar using gross domestic product (GDP) as an indicator. This result is nothing to cheer about as the same index ranked Nigeria out of 144 countries using GDP/Per Capita Income (PCI) as an indicator. This implies that even as gross domestic product improves, its result does not reflect on the living standard of the citizens. From the above, the performances of the major determinants of FDI in Nigeria have not been very impressive over time due to overwhelming challenges facing the Nigeria nation, some of which are examined hereunder.

6. Challenges of Foreign Direct Investment in Nigeria

A report recently released by Quantum Global Research, a global organization tracking plans for FDI in various countries should worry all Nigerians. In its 2018 report on all countries on all the continents of the world, Nigeria is the only large economy which is not included in the 2018 investment plans. Nigeria has fallen from its top position in 2014 to the 19th investment destination in Africa. Since 2015, the world had become very weary of investment in oil and gas in Nigeria. The recent decline in FDI in Nigeria started in 2015 as the economy plunged into recession. Since global fall in oil market and our economy is majorly oil-driven. Unless things change and unless we diversify our economy from monolithic economy, from over concentration on oil to other sectors, FDI may continue to elude Nigeria. Other sectors yearning for investment are transport, real-estate, agriculture, tourism, power, construction, manufacturing, service sectors, etc.

Another challenge facing Nigeria in attracting FDI is the lack of respect for pacts and court rulings. The nations in search of FDI are like sophisticated beggars and the first thing the beggars developed are good manners. Unfortunately, this is the last thing Nigerian civil servants, and general populace have developed. This is not limited to the civil servants, as governments at federal and state levels are also guilty of this. When investors are treated badly, they shelve plans for investments, especially when they discover that even Nigerians who invested in Nigeria are treated badly in their Nigeria.

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67 South Africa has regained the top position as the continent investment destination. Even small African countries of Botswana, Burundi, Equatorial Guinea and medium economies like Egypt, Tunisia, Kenya, Rwanda etc. can confidently look forward to the influx of FDI with much ease.
68 Ethiopia earns so much from its popular Ethiopia Airlines business (Aviation Sector).
69 Ethiopia and Saudi-Arabia (Mecca) earn so much from Tourism.
70 South African earns so much from its Foreign Investment in Banking sector (Stanbic IBTC) Telecommunications (MTN, services – Shoprite, Entertainment – Africa Magic etc.
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72 Two Nigerians are on point here – Alkko Dangote and Dr. Wale Babalakin. Few foreign investors in Nigeria have a pleasant tale to tell about their experiences. MTN, GLO, Etisalat, Shoprite, Bi-Courtney, Dangote, and many others have been so badly treated that their experiences cannot encourage others to come in. agreements reached with governments are unilaterally terminated with impunity. We have poor reputation for upholding agreements and for obedience to the rule of law. Lawlessness by our government is the prime cause of low FDI. This must change. Federal government of Nigeria.
Another challenge is that of insecurity. It is a notorious fact that Nigeria has been bedeviled by a lot of security challenges which include militancy in the Niger-Delta, the Boko-Haram insurgency in the North-East, inter-ethnic clashes and religious conflicts. Added to these are the terrorist acts of kidnapping and assassination, all of which increase the risk of doing business in Nigeria and consequently scare the foreign investors away\textsuperscript{79}. Rational investors will only invest in a less risky environment.

Also, infrastructural challenge is a big cause of low FDI inflows into Nigeria. Infrastructure has been identified as critical to the achievement of national development goals\textsuperscript{80}. World Bank opined that USD 31 Billion was needed by Africa from Foreign Investors to develop infrastructure needed for development.\textsuperscript{79} Infrastructural facilities are the pillars of development. The constraint imposed by the poor state of the country’s infrastructure namely roads, energy supply, water supply, etc., discourages foreign investors. The need for investors to privately provide most of them in the course of their operation has heightened the cost of doing business in Nigeria.\textsuperscript{81}

Infrastructure in Nigeria is grossly inadequate and of poor quality when compared to Europe, North America and Japan.\textsuperscript{82} The infrastructural base of the Nigerian economy has remained weak and characterized by uneven distribution, unreliability and decay arising from several years of neglect.\textsuperscript{83} Corruption is another serious challenge. Bribery and corruption have become so endemic that virtually nothing gets done in Nigeria without the twin monsters. Corruption increases the cost of doing business and makes investors to become skeptical. In the corruption perception index 2013 published by the Transparency International (T.I.) Nigeria plunged from 137th out of 177 countries surveyed in 2010 to 144th.\textsuperscript{84}

Other challenges facing FDI in Nigeria range from bureaucratic bottlenecks in foreign trade transactions which is characterized by stringent custom duties and port authorities regulations;\textsuperscript{85} ease (or lack thereof) in starting new business; access to industrial land and facilities; effectiveness of governing institutions when it comes to enforcing the target economy’s existing law and business regulations, freedom for cross-border investor to invest in every segment of the target economy, military coups and political instability, particularly unclean democratization process and general political history of the host nation to guarantee safety of overseas capital, stringent approval procedures frustrate investors, weak public institutions, poor external image, policy uncertainty, indigenization policy etc.

It is pertinent to mention that notwithstanding the investment potentials of Nigeria, unless the above challenges are surmounted, FDI inflows into Nigeria may continue to fall below expectation and leave Nigeria with negative economic consequences.

7. Efforts/Incentives of Nigerian Government to attract FDI

Right from the colonial era, Nigeria has pursued different public policies which have had implications for FDI inflows into the country. In other words, both past and present government of Nigeria have made concerted efforts to attract FDI into the country. Legal and institutional frameworks were also put in place. Abrogation of Indigenization Policy in 1995 encourages FDI inflow into Nigeria. Also, the investment code that created the Nigerian Investment Promotion Commission (NIPC) Decree No 16 of 1995\textsuperscript{86} and the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree of 1995,\textsuperscript{87} gives full backing for FDI in Nigeria.\textsuperscript{88} The establishment and the activities of the Economic and Financial Crimes Commission (EFCC)\textsuperscript{89}, Independent Corrupt Practices Commission (ICPC)\textsuperscript{90} are efforts to improve the corporate environment and uphold rule of law.

Also, the regulations of the Corporate Affairs Commission\textsuperscript{91} a parastatal under the supervision of the Ministry of Trade and Investment, has also been amended paving way for billions of potential annual savings to investors. The CAC has been reformed to enable online registration of businesses and companies, as well as, 24-hour registration service. Hence, thousands of new companies have been registered within 24-hours.\textsuperscript{92}

\textsuperscript{79} Emmanuel, J.O. ‘Determinants of Foreign Direct Investments in Nigeria. Educainfo. August 17, 2016. P.2
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\textsuperscript{87} Transparency International Corruption Perception Index 2013 available: http://www.TI.org; in the 2018 index Nigeria came 144th out of 180 countries, available at https://www.transparency.org, accessed 10th December 2019.
\textsuperscript{88} Achagamonu, B. et al (super) p.46
\textsuperscript{89} See Nigerian Investment Promotion Decree 1995, promulgated to reform the Nigerian Investment Climate and improving the Nigerian investment environment and uphold rule of law. It is currently being reviewed by the parliam
Other efforts of the government are in the area of steps taken at international level through the signing of international Investment Agreements (IIA). Bilateral International Agreements (BIA) or Bilateral International Treaties (BIT) and Double Taxation Treaties (DTT). BIT signed in Africa increased from 41 in 1970 to 772 in 2009. Africa and Nigeria in particular, joined the rest of the world in seeking FDI as evidenced by the formation of the New Partnership for Africa’s Development (NEPAD) which has the attraction of foreign investment to Africa as a major component. Some governmental efforts are in form of incentives while some incentives apply generally to FDI, others are sectoral incentives, hence, different sectors of the economy have their sectoral incentives. Incentives range from fiscal incentives such as Pioneer Status Investments, Local Raw Material Utilization, Investment, Labour Intensive Production Mode Investment, Free Trade Zones Investments. Other incentives are tax incentives. Some incentives are available for foreign investments in Agriculture, Mining and Mineral exploration (non-oil sectors) as well as, oil and gas sector. Under section 56 of the Companies and Allied Matters Act (CAMA), some specified foreign companies are specifically exempted from registration in Nigeria, contrary to the general rule that a foreign-owned company shall register a company in Nigeria. This is another form of incentives.

Despite the above mentioned governmental efforts and incentives, FDI inflow into Nigeria remains at the doldrum. In fact, according to a United Nations Report, Foreign Direct Investment in Nigeria, Africa’s top oil producer, plunged by 43 percent to $2 billion.

8. Impact of FDI on Nigerians

FDI historically has allowed investors to seek markets they believe will deliver the highest rates of return on their capital investments. Also, FDI has been viewed as a means of spreading best practices around the globe, primarily in the areas of corporate adherence to accepted accounting practices and respect for global regulations. Other impact of FDI include transfer of production technology, skills, innovative capacity, organizational and managerial practices.

According to Zien, FDI and multinational corporations are very vital and make good contributions to the development of the host countries through several channels, such as, transfer of capital advance technological equipment and skills, improvement in the balance of payments, the expansion of the tax base and foreign exchange earnings, creation of employment, infrastructural development and integration of the host economy into international markets. In the words of Orji, ‘FDI is needed to maximize the advantages such as managerial skills, marketing connection, technical knowledge, technological transfer, training of local work force and movement of hard currency into the country’. The immediate host community of FDI projects can also benefit from some corporate social responsibility activities of the MNCs. However, sizeable FDI is found in extractive industries and this has significant environmental impact. It has therefore been shown that there is the likelihood of MNCs to relocate to countries where the environmental regulations are lax or non-existent.

Evidence exists, that in some countries (such as Nigeria) were FDI generates employment, it may be to the benefit of the more educated, wealthy elites and urban citizens. There are also the accusations that MNCs employ unfair competition when taking advantage of low wages and labour standards in the country and sometimes violate human and labour rights, especially in developing countries were governments fail to enforce such rights effectively. FDI has the potential to increase the average wage in the recipient firm and thereby reducing poverty. Some study has shown that FDI has led to socio-political exclusion of women in Hungary, Mexico and Asia. Effects of FDI cannot be generalized, even within a particular country. Within the same country, the impact of FDI may vary between regions. Impact of FDI within same country may also vary from one sector to another. Hence, there is a regional as well as, sectoral approach to FDI and sustainable development. Accordingly, a research carried out in all the eight regions in Romania revealed that FDI generated economic growth in Romania, but the research carried out in seven out of the eight regions (which excluded Bucuresti-Illfov region) reveals that FDI had a negative impact on economic growth in the seven regions of Romania excepting Bucurest-Iffov, FDI did not diminish the poverty rate. Hence, in

92 NEPAD is an economic development programme of the African Union. NEPAD was adopted at the 37th session of the Assembly of Heads of State and Government in July 2001 in Lusaka, Zambia.
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According to Zien, FDI and multinational corporations are very vital and make good contributions to the development of the host countries through several channels, such as, transfer of capital advance technological equipment and skills, improvement in the balance of payments, the expansion of the tax base and foreign exchange earnings, creation of employment, infrastructural development and integration of the host economy into international markets. In the words of Orji, ‘FDI is needed to maximize the advantages such as managerial skills, marketing connection, technical knowledge, technological transfer, training of local work force and movement of hard currency into the country’. The immediate host community of FDI projects can also benefit from some corporate social responsibility activities of the MNCs. However, sizeable FDI is found in extractive industries and this has significant environmental impact. It has therefore been shown that there is the likelihood of MNCs to relocate to countries where the environmental regulations are lax or non-existent.

Evidence exists, that in some countries (such as Nigeria) were FDI generates employment, it may be to the benefit of the more educated, wealthy elites and urban citizens. There are also the accusations that MNCs employ unfair competition when taking advantage of low wages and labour standards in the country and sometimes violate human and labour rights, especially in developing countries were governments fail to enforce such rights effectively. FDI has the potential to increase the average wage in the recipient firm and thereby reducing poverty. Some study has shown that FDI has led to socio-political exclusion of women in Hungary, Mexico and Asia. Effects of FDI cannot be generalized, even within a particular country. Within the same country, the impact of FDI may vary between regions. Impact of FDI within same country may also vary from one sector to another. Hence, there is a regional as well as, sectoral approach to FDI and sustainable development. Accordingly, a research carried out in all the eight regions in Romania revealed that FDI generated economic growth in Romania, but the research carried out in seven out of the eight regions (which excluded Bucuresti-Illfov region) reveals that FDI had a negative impact on economic growth in the seven regions of Romania excepting Bucurest-Iffov, FDI did not diminish the poverty rate. Hence, in
Bucuresti-Ilfov region, where most of the FDI are concentrated we expect to find a higher economic growth than that in the other regions. On the one hand, this economic growth ensures a better living standard which diminishes the poverty. On the other hand, in the North-East region of Romania where FDI are less, the economic growth is indeed lower and poverty is an acute problem in that region.108

Applying the foregoing to Nigeria, there is a higher economic growth rate in Abuja, Lagos, Port-Harcourt and other Nigerian towns/cities where FDI are concentrated, while reverse is the case in other states of Nigeria where FDI is lower. Most studies on FDI and economic growth are cross-country studies. However, FDI and economic growth debates are country-specific, sector-specific etc. in his study of FDI impacts on the different sectors of the economy (primary, manufacturing and services), Alfaro,109 found different effects. FDI inflows into primary sector exert negative effects on growth, while it exerts a positive impact on the manufacturing sector. The effect on the service sector was not clear based on statistical results.110

Different authors employed different methods in their data analysis and arrived at different results. Hence, while De Mello found a weak positive relationship between FDI and economic growth111, Zhang found that economic growth is enhanced by FDI if and only if the trade regime and macroeconomic stability are considerably robust.112

The foregoing reveals that there is no straightjacket opinion or consensus on the impact or effect of FDI on the economy or the people. The impact of FDI depends on many innumerable variables, hence, the impact or activity of FDI on economy is quite debatable.

9. Concluding Remark and Recommendations

This study has examined the concept of FDI from many angles. This study reveals that Nigeria has low FDI inflows due to the various challenges examined in this study, notwithstanding the investment potentials of Nigeria. This study also revealed that the few FDI inflows are concentrated in few locations and sectors of the economy. The study further reveals that FDI does not automatically remove poverty or translate to economic growth.

In conclusion, those principal factors (along with the myriad of other variables that define every nation’s economic norm) mean that FDI will likely remain heterogeneous, and therein lies the difficulty in drawing blanket conclusions regarding the overall strength or weakness of the FDI environment.

This study confirms that FDI plays a vital role in achieving sustainable development and consequently recommends Nigeria needs FDI inflows to be concentrated in the non-oil sector of the economy e.g. ICT, Agriculture, Agro-Allied Industry and Manufacturing. Investments should be focused on regions with low FDI presence within Nigeria. Also, Nigeria should develop a robust framework for measuring and analyzing the development impact of FDI on its economy and the citizens. The identified challenges should be aggressively addressed to realistically create an ideal and friendly environment for FDI. Reforms are imperative. Ratification (and possibly domestication) of the African Continental Free Trade Agreement could also have a positive effect on FDI in Nigeria, especially in the manufacturing and services sectors.

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