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Foreign Direct Investment Inflow, External Debt and Economic Growth in Nigeria

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Abstract
It is a popular saying that no man is an island on himself. So also no government is an island on its own and as such it would require assistance and maybe in form of foreign aids, investment from foreigners and external debt so as to perform effectively and efficiently. Hence, the study examines the impact of foreign direct investment inflow and external debt on economic growth. The ARDL econometrics technique was used to investigate both the short- and long-run relationship among the variables. The estimated result shows that FDI and external debt have a positive and statistically significant effect on the economic growth of Nigeria. The study recommend among other things that the government should be responsive enough to make the borrowed fund meant for capital and development project be properly channelled toward those projects. Also, the debt must be thoroughly monitored to avoid being diverted into private pockets so as to achieve optimal use of the fund. In addition, government must endeavour to crate an enabling environment for domestic investors to thrive. Policy(s) aim at increase FDI flow to country should be adopted by the government.
Keyword: FDI, External debt, growth, Nigeria**,**
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1.0. Introduction

The insufficient internal financial resource in the domestic country prompt most of the countries especially developing countries to incur debts. In most cases, such funds are not properly channelled into the development driven project. In corollary with this, Soludo (2003) stated that countries borrow for two broad reasons: firstly, macro-economic reason (that is for investment, consumption i.e. education and health) and secondly, to finance transitory balance of payment deficit in order to lower nominal interest rate abroad, lack of domestic long term credit or to circumvent hard budget constraint. However, economy borrows to boost economic growth and reduce poverty, do not suffer from macro-economic instability or sizeable adverse shocks. As a result, growth is likely to increase and allow for timely debt payment. When the circle is maintained for a period, growth will affect per capita positively which is a pre-requisite for poverty reduction. Again, another motive for external borrowing is as a result of the scarcity of resources and the law of comparative advantages. Due to this, countries depend on each other by borrowing to foster economic growth and development. The necessity for government to borrow in order to finance a deficit budget also led to the development of external debt. Thus, external debt becomes a method through which countries finance their deficit and carry out economic projects that are capable of increasing peoples' standard of living and promote sustainable economic growth and development.

On the other hand, foreign direct investment is also seen has a major economic growth and development driver. An agreed framework definition of foreign direct investment exists in literature[1]. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises both incorporated and unincorporated.

[1] FDI is an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor, (World Bank, 1996). Accordingly, IMF and OECD defined FDI as the motives of obtaining a lasting interest by a resident entity in one economy, from an entity resident in another economy other than that of the investor.

Comparisons have been made between foreign direct investment inflow and external debt on the economic performance of developing countries like Nigeria. Economic and financial analysts are divided on which of the two economic variables impact positively on the country and leave the country better- off. Is it the attraction of more FDI or accruing more external debts? The extents to which these two variables positively impact the economy have been the subject of several empirical investigations and studies. In Nigeria, successive government have adopted various policies to address both variable but there seem to be no end to the myriad of economic problems like unemployment, insecurity and the likes, which are facing this country (Nigeria). One can then, concluded that economic policies formulated in the past were established or formulated to meet the conditionality of external bodies and the imperial powers that be. And as such, economic policies in Nigeria have never had the full-phased implementation required to drive the country to the promised land of prosperity.

In view of the foregoing definitions of foreign investment and external debt, and the careful examination of these two economic variables thus far, one is tempted to ask the following questions. Does Nigeria perform better economically when more external debts are incurred or when more foreign direct investments are attracted? To what extent does the level of external debt and foreign investment significantly affect the economic growth in Nigeria? These are the questions that this study is sought towards finding answers to. The study seeks however, to investigate the effect of external debt and FDI on Nigeria's economy and arrive at a very clear and logical conclusion.

2.0 Literature Review

2.1 External Debt- Growth Nexus in Nigeria

Empirical studies on external debt-economic growth relationship are numerous in the literature in both the developed and less developed countries. Theoretically, external debt is widely believed to enhance economic growth and development. That is the basic reason why the debt is usually borrowed in the first place. It is a commonsensical fact that both developed and less developed countries seek for external debt to boost their economic performance. Available statistics have shown that the United States of America is the biggest debtor country in the world but yet the country enjoyed a significant level of economic growth and development taken the global financial meltdown aside (Blakely and Leigh, 2009). Nigeria, on the other hand has been utilizing the external debt to the extent that the debt becomes so huge to water down substantial part of the country's revenue. Despite the increasing nature of the debt stock, until the recent decline due to debt cancellation and relief in 2002, the economic development of Nigeria is not encouraging especially looking at the economic development in terms of its basic component such as employment creation and poverty reduction (Ayadi, 2008).

Other studies on external debt revealed divergent view on the implication of external debt to the debtor country. Ajayi and Oke (2012) examined the effect of external debt on economic growth and development of Nigeria and inferred that external debt burden had an adverse effect on the nation income and per capital income of the nation. They argued further that high level of external debt led to devaluation of the national currency, increase in retrenchment of workers, continuous industrial strike, and poor educational system. This led to the economy of Nigeria getting depressed. Based on their finding, they suggested that debt service obligation should not be allowed to rise than foreign exchange earning and that the loan contracted should be invested in profitable venture which will generate a reasonable amount of money for debt repayment.
Abubakar (2010), carried out an empirical investigation on external debt and Nigerian economic development and concluded that external debt in Nigeria has made both positive and negative contribution to the economic development of the country during the period (2000-2009) covered by his study. He however, stressed that the Nigeria government should investigate the reasons behind the non-contribution of external debt to the GDP per capital of then country with a view to unveiling the bottlenecks and corrects them. In another study conducted by Sulaiman and Azeez (2012), the study investigated the effect of external debt in the economic growth of Nigeria and concluded in their

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finding from the error correction method that external debt has contributed positively to the Nigerian economy. The study went on to recommend that government should ensure economy and political stability, and external debt should be acquires largely for economic reasons rather than social or political reasons. Ogunmuyiwa (2011), in his study "Does external debt promote economic growth in Nigeria", revealed that causality does not exist between external debt and economic growth as causation between debt and growth was found to be weak and insignificant in Nigeria.
Audu (2004) studied the effect of external debt on economic growth and public investment in Nigeria. His study concluded that debt servicing pressure in Nigeria has had a significant adverse effect on the growth process of the country. He added that Nigeria frequently divert resources to take care of pressing debt service obligations instead of being allocated to the development of infrastructures that would improve the well being of the citizen. Osinubi and Olaleru (2006) examined how the rise of budget deficits as an instrument of stabilization leads to the accumulation of external debt with the attending effects on the economic growth in Nigeria between 1970-2003, and concluded that if debt financed budget deficit are operated in order to stabilized the debt ratio at the optimum sustainable level, debt over hang problem would be avoided and the benefits of external borrowing would be maximize.

Adepoju, Salau and Obayelu (2007) studied the effects of external debt management on sustainable economic growth and development in Nigeria. They concluded that, though debt is an important resource needed to support sustainable economic growth, a huge external debt without servicing as it is the case for Nigeria before year 2000 constituted a major impediment to the revitalization of her shattered economy as well as the alleviation of the debilitating poverty being experienced in the country. Their study concentrated on the management aspect of external debt. However, according to the study carried out by Ayadi and Ayadi (2008), external debt has a more positive impact on the South African economy than Nigeria. He concluded that external debt perform better in South Africa than Nigeria as it contributed positively to the growth of the south African economy. He however did not bring out the impact on the component of economic growth and neglected the long- run impact on the economic development.

Other studies that have tested the debt–growth relationship includes Fosu (1996) which examined the relationship between economic growth and external debt in Sub-Sahara African countries over the period 1970-1986 using the OLS method. The study examined the direct and indirect effect of debt hypothesis and reveals that direct effect of debt hypothesis shows that Gross Domestic Product (GDP) is negatively influenced in a diminishing marginal productivity of capital. The study also finds that on the average, a high debt country face about one percent reduction in GDP growth annually. This means that external debt does not influence growth in Sub-Saharan Africa rather it leads to reduction in their GDP. In another study conducted by Fosu (1999), he employed an augmented production function to investigate the impact of external debt on the economic growth of Sub-Saharan African countries for the period of 1980-1990. The author tested whether external debt has negative effect on economic growth and the finding of the study shows that debt exhibits a negative co-efficient. Also in the same vein, Amoateng and Amoako-Ako (1996) investigated the relationship between external debt and economic growth for 35 African countries using the granger casualty test. The result shows that there is a unidirectional and positive casual relationship between debt service and economic growth.

In summary, countries experiencing fiscal deficit especially developing country like Nigeria can borrow to improve their economic growth. In principle, government borrows to finance public good that increased and maximizes welfare, and promote economic growth (Ogunmuyiwa, 2011). Due to the fact that the domestic financial resources are inadequate, borrowing is acquired from external sources. The amount of fund provided by these foreign sources coupled with the concessional rate of interest constitutes the external debt of the nation. In Nigeria, external debt is sourced from multinational agencies, Paris club, London club of creditors, promissory note holders, and other creditors. In essence, external debt is one of the sources of financing capital formation in any country (Ayadi and

Ayadi 2008). External debt is acquired to contribute meaningfully to the economy but the future debt services payment poses a threat to economic growth especially to the less developed countries like Nigeria due to numerous factors, as some researchers have highlighted. The commitment of the borrowed fund also matters a lot. In Nigeria, for instance mismanagement and corruption could be reasons why the money did not have significant effects in Nigeria economy.

2.2.2 Foreign Direct Investment (FDI) - Growth Nexus in Nigeria.

There are preponderance of empirical studies on the FDI-growth nexus and the determinant of FDI in Nigeria. Some of the pioneering works include Aluko (1961), Brown (1962), and Obinna (1983). These authors separately reported that there is a positive link between FDI and economic growth in Nigeria. However, for the purpose of this, the empirical literature will focus on Nigeria authors. Okon, Augustine and Chuku (2011), they investigated the endogenous effects of foreign direct investment on the economic growth in Nigeria over the period 1970-2008 and concluded that FDI and economic growth are jointly determined in Nigeria and there is positive feedback from FDI to growth and from growth to FDI. The overall policy implication of the result is that policies that attract more foreign direct investments to the economy, greater openness and increased private participation will need to be pursued and reinforced to ensure that the domestic economy captures greater spill over from FDI inflows and attains higher economic growth rates. In another study,

Odozi (1995) on his part placed special emphasis on the factors affecting foreign direct investment flows into Nigeria in both the pre and post SAP eras, and found that the macro economic policies of the pre-SAP era were highly discouraging to investors. The policy environment led to the proliferation and growth of parallel markets and sustained capital flight. Ariyo (1998) studied the investment trend and it impacts on Nigeria's economic growth over the years. He found that only private domestic investment consistently contributed to raising GDP growth rates during period considered 1970–1995. Furthermore there is no reliable evidence that all the investment variable evidence variables included in his analysis have any perceptible influence on the economic growth of Nigeria. He therefore suggested the need for an institutional re-arrangement that recognizes and protects the interest of major partners in the growth and development of the economy.

Examining the contributions of foreign capital to the prosperity or poverty reduction of developing countries, Oyinlola (1995) conceptualized foreign capital to include foreign loans, direct investments and exports earning. Using Chenery and Stouts two–gap model, he concluded that direct investment has a negative effect on growth and development in Nigeria. On the basis of time series data, Adelegan (2000) explore the seemingly unrelated regression model to examine the impact of foreign direct investment (FDI) on the economic growth of Nigeria and found out that FDI is pro-consumption and pro-import and negatively related to the gross domestic product of the nation. Akinlo (2004) on his part found that foreign capital has a small and not statistically significant effect on economic growth in Nigeria.

Much of other empirical works on FDI in Nigeria is centred on examination of its nature, determinants, and potentials. Anyanwu (1998) paid particular emphasis on the determinants of FDI inflows in Nigeria. He identified change in domestic investment, change in domestic output or market size, indigenization policy and change in openness of the economy as major determinants of FDI inflows in Nigeria and that efforts must be made to raise the nation's economic growth so as to be able to attract more FDI. Ayanwale (2007) investigated relationship between non- extractive foreign direct investment and economic growth in Nigeria and also examined the determinants of FDI inflows into the Nigeria economy. He used both the single equation and simultaneous equation models to examine the relationship; his results revealed market size, infrastructure development and stable economic policy as the main determinants of FDI in Nigeria. Openness to trade and human capital were found not be FDI inducing. Ayanwale (2007) also found a positive link between FDI and growth in Nigeria.

Egbo (2011), in his own study affirmed that the empirical linkage between FDI and economic growth in Nigeria is yet unclear, despite the numerous studies that have examined the influence of FDI on Nigeria's economic growth with varying outcomes. He affirmed that the relationship between FDI and growth may be country and period specific. Asiedu (2001) submits that the determinants of FDI in one region may not be the same for other regions. In the same vein, the determinants of FDI in countries within a region may be different from one another and from one period to another. The result of studies carried out on the linkage between FDI and economic growth in Nigeria are not unanimous in their submissions. Based on this, he asserted that a closer examination on these previous studies reveals that conscious efforts was not made to take care of the fact that more than 60% of the FDI inflow into Nigeria is made into the extractive oil industry. Hence these studies actually modeled the influence of natural resources on Nigeria's economic growth.

In summary, a common weakness that has been identified in most of these studies is that they failed to identify the fact that most of the FDI inflow to Nigeria has been concentrated on the extractive industry, that is, to oil and natural resources sector. Recently, effort is being made on telecommunication industry. However, the researchers only consecrated on the determinants of FDI in Nigeria, there is need to examine the short run and long run relationship between FDI and growth in Nigeria so as to provide the necessary policy advice to the policy makers. Hence, this study will fill the gap by using ARDL.

2.2.3. FDI, External Debts and Growth in Nigeria

There are some studies that seek to find the relationship that exist between external debt, foreign direct investment and the economic growth of developing countries. Some studies examined the effect of external debt on economic growth and found one or more variable to be significantly and negatively correlated with investment or growth depending on the focus of the study. A study carried out by the International Monetary Fund (IMF) in 1989 on investment behaviour and environment found investment to be very low in heavily indebted countries and after analysing the different explanation on the decline in investment concluded that poor performance of investment in countries with debt servicing problem in the face of inadequate foreign earning or investment leads to severe import strangulation. Import strangulation holds back export growth, thus perpetuating import shortages. The debt overhang created by the debt situation further depresses the investment environment and behaviour of the nation. However, this study looks at the view of researchers on causal relation between FDI, external debt and growth in Nigeria.

In a recent study, Oke and Sulaiman (2012) examine the level of external debt, investment, and economic growth in Nigeria during 1980-2008 by adopting a debt-cum-growth model along with the investment model. The result of their study indicated a positive relationship between external debt, investment, and economic growth. The finding of the study further revealed that the current external debt ratio of GDP stimulates growth in the short term while investment, which is a measure of real and tangible development shows a decline. Ezirim *et al* (2006) examined the impacts of external debt burden, FDI and remittances on economic growth of Nigeria during 1970-2001. The results indicated the existence of dual causality between external debt and foreign investment burdens in the country.

Onah (1994) also opined that the debt burden can depress any form of investment, and economic growth through illiquidity and disincentive effects. The illiquidity effects result from the fact that there are only limited resources to be divided among consumption, investment and external transfers to service existing debt. He then concluded that disincentive arise because expectation of future burdens tend to discourage current investment. In the study conducted by lyoha (1997), he was of the opinion that heavy debt burden acts to reduce investment through both debt overhang and the crowding-out effect.

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From the above, relationship between debt, investment and growth stated or highlighted thus far, it can be inferred obviously that, it is not the acquisition of debt that is the major obstacle of economic growth, but the appropriate application of such funds coupled with the mediocre or meagre level of investment vis-à-vis poor investment behaviour. Debt service payment reduces export earnings and other resources, and therefore, retards growth. The mechanism through which external debt affect economic growth is investment in capital project and investment behaviours are adversely affected by debt servicing too, especially in heavily indebted economy. In addition, unless the problem of mismanagement and private siphoning of the public investment are dealt with, there would be no how the borrowed funds can yield growth in country like Nigeria economy. The major uniqueness of this study is that while most previous studies on the subject matter focuses on the effect of either external debt or foreign direct investment on economic growth, this study examine the impact of both on the economic growth of Nigeria and by so doing, attempt to compare and contract on both variable in order to know which is better for the economic growth and development of the country using ARDL approach.

3.0. Theoretical Framework and Methodology

3.1 Theoretical Framework

Theoretical framework is anchored on the modification of eclectic paradigm and classical liberal theory. According to eclectic theory, Multinationals need to have some firm specific asset that differentiates them from domestic firms in order to compensate for the extra costs in terms of local knowledge that a foreign firm must incur to operate in foreign markets. The firm specific asset is called an ownership (O) advantage. Multinationals should also have an internalisation (I) advantage to internalise business contacts, and not to outsource. The reason why a multinational invests in one country but not in another depends on the country's locational advantage (L). Hence, the OLI framework explains FDI on the basis of ownership-specific advantages of the firm, internationalisation incentives and locational advantages. According to the Classicists, development can be achieved through capital formation i.e. investment in infrastructural project which can be aided by foreign private investment and/or foreign loan.

3.2. Data and Methodology

This study empirically investigates the relationship between foreign investment inflow, external debt and economic growth. The study covers the period from 1980–2014. The reason behind the choice of the study period hinges on the mixed fortune of occurrences in the Nigerian economic–political environment within the said period. In order to find the impact or effect of foreign investment and external debt on the economic growth of Nigeria, the economic growth is proxy by the growth rate of GDP. The data used in this study are obtained from relevant publications such as Central Bank of Nigeria, Debt Management Office, Central Bank of Nigeria, 2014 and World Development Indicators, 2014 Other includes various journals.

Model Specification

For the purpose of this study, the debt-investment-growth model shall be adopted to analyze the impact of foreign investment and external debt on the economic growth of Nigeria. The model is specified thus,

$$GRGDP = F(FDII, EXTDEBT, \mathrm{X}) \qquad 1$$

Where:

GRGDP is growth rate of gross domestic product used as a proxy of economic growth. EXTDEBT is the external debts. The amount of money borrowed by country form the external bodies. FDII is the foreign direct investment flow to the country within the studied period and X(=INF) is the set of control variable which may influence both the FDII and the EXTDEBT.

The above function can be expressed in econometrics form as below;

$$GRGDP_t = \beta_0 + \beta_1 FDII + \beta_2 EXTDEBT + \beta_t INF + \varepsilon_t \qquad 2$$

Where β_0 = intercept of the relationship in the model

β_1 and β_2 = co efficient of each exogenous variable and INF is inflation rate and ε = error term.

Method of Estimation

To investigate the effects of foreign direct investment inflow and external debt on the economic growth of Nigeria, this study employ an autoregressive distributed lag (ARDL) econometrics method which is said to estimate short run and long run coefficients. ARDLs are standard least squares regressions which include lags of both the dependent variable and explanatory variables as regressors (Greene, 2008). An advantage of ARDL over other estimation techniques is that OLS estimation yields consistent estimates of the parameters when the variables are all I(0) or are all I(1) or when some are I(0) and I(1) and a long run relationship exists (Pesaran and Shin, 1998). Pesaran and Smith (1995) also showed that standard inference can be carried out on the short run and long run parameters even if it is not known *a prior* which variables are I(0) and which are I(1). As well, with the ARDL approach the data need not be pre-tested for unit roots (or stationarity) (Pesaran, 1997). ARDL approach therefore involves estimating equation 2 in the form:

$$\Delta GRGDP = \alpha_0 + \sum_{i=1}^{p} \delta_i \Delta GRGDP_{t-i} + \sum_{i=1}^{p} \gamma_1 \Delta FDII_{t-i} + \sum_{i=1}^{p} \gamma_2 EXTDEBT_{t-i} + \sum_{i=1}^{p} \gamma_3 INF_{t-i}$$
$$+\lambda_1 GRGDP_{t-1} + \lambda_2 FDII_{t-1} + \lambda_3 EXTDEBT_{t-1} + \lambda_4 INF_{t-1} + \mu_t \qquad 3$$

Where α_0 is the drift component; μ is the white noise; the terms with summation signs represent the error correction; dynamics with δ for example represents the short run effects; while the second part of the equations with φ corresponds to the long run relationship.

In autoregressive distributed lag, cointegration relationship is established using F-test. The null hypothesis implies non-existence of long run relationship and the alternative suggests the existence of a long run relationship. Pesaran and Shin (1999) provide two sets of asymptotic critical values bounds based on whether all the variables are I(0) for lower bound or I(1) for upper bound. The null hypothesis is rejected if the F-statistics is greater than the upper bound. If the long run relationship exists among the variables, the error correction model is estimated as stated below:

$$\Delta GRGDP = \alpha_0 + \sum_{i=1}^{p} \delta_i \Delta GRGDP_{t-1} + \sum_{i=1}^{p} \gamma_i \Delta FDII_{t-1} + \sum_{i=1}^{p} \theta_i \Delta EXTDEBT_{t-1}$$
$$+ \sum_{i=1}^{P} \varphi_i INFT_{t-1} + \phi ECM_{t-1} + \mu_t \qquad 4$$

ECM_{t-1} is the error correction term and the coefficient of ECMt-1 measures the speed of adjustment towards the long-run equilibrium.

Discussion of Results

The Autoregressive Distributed Lag (ARDL) bound testing approach procedure does not require pre-testing of unit roots and hence the order of cointegration can be determined irrespective of their order integration (Pesaran and Shin, 1998). The critical value of the ARDL Bound testing depends on selected lag length; for this paper, the optimal lag (p) is determined empirically using Akaike's Information Criteria (AIC).

Table1 ARDL Bound Test

F-Statistics Likelihood ratio	10.92799 26.87	
% Critical Levels	Critical value for bound test	
	I(0) Bound	I(1) Bound
1%	5.15	6.36
5%	3.79	4.85
10%	3.17	4.14

The result above shows that the computed F statistics is far greater than the upper critical value bound. However, given the above result, ARDL tests confirm that we strongly reject the null hypothesis of no long run relationship among the variables and alternatively confirming that there is a long run among the variables.

Table 2 Short run relationship of the variables using ARDL Approach

Regressors	Coefficient	probability
FDII (-1))	0.000765	0.0957*
EXTDEBT (-1))	0.000003	0.0010*
ECM (-1)	-1.003935	

(*) implies significant at 5%

Table 2 above shows the show run estimate dynamic coefficient for the model. The error correction is negative (-1.003935) as required and statistically significant as expected. The table also shows that foreign direct investment inflow and external debt are positive and statistically significant. The positive coefficient in the short run implies both variables have positive effect on the economic growth. This result is consistent with Oke and Sulaiman (2012) who found positive and statistically significant result in both external debts and foreign direct investment. Oke and Sulaimon (2012) revealed that both external debt and investment impacted so much on the economic growth during the study period. Abubakar (2010) and Sulaiman and Azeez (2012) also found positive relationship between external debt and economic growth. Ogunmuyiwa (2010) found negative relationship between external debt and economic.

Table 3 Long run estimate of the ARDL Approach

Regressors	**Coefficient**	**probability**
FDII	0.00762	0.0706*
EXTDEBT	0.00003	0.0008*
R^2	0.42	
F-Stat	5.0997	
DW	2.0	

(*) indicate significant at 5%

The result in table 3 shows that there is a long run relationship between foreign direct investment inflow and external debt on economic growth in Nigeria. This is evident in the positive coefficient of the two variables and their probability value. This result provides support for the work of Oke and Sulaiman (2012). The result also revealed that there is a relatively quick adjustment in economic growth.

4.0. Summary, Conclusion and Recommendations

4.1 Summary and Conclusion

In summary, attempt was made to bring into focus, the effect of foreign direct investment inflow and external borrowing (debt) on the Nigerian economy. The study began with introduction of foreign direct investment and external debt, thereafter statement of problems that led to the objective of the study, scope and limitation of the study, and plan of the study. The literature review comprises of the empirical review. It discusses foreign investment, external debt, and economic growth. In research methodology, the data used is secondary data analysed using E-view and was interpreted.

Foreign investment and external debt are theoretically known to augment the domestic financial resources of a country. With the increased inflow of foreign capital to Nigeria, the country is still characterized by low per capita income, high unemployment rate, and low and falling growth rate of GDP. This has stimulated a lot of arguments in the literature. Among the findings of this study is that foreign private investment and external debt were non-stationary. During the course of this research, it

was found that both foreign investment and external debt have positive co-efficient and significantly impact economic growth in Nigeria. This means that they both contributed to the economic growth of Nigeria. But their rate of contribution differs. Based on the above, it can be deduced that though the experience of other developing countries give contradicting reports on the effects of foreign investment and external debt, the Nigerian case is a bit different in that both variables have a statistically significant effect on the GDP growth rate of Nigerian. By implication, issues on foreign investment and external debt should not be ignored in policy decision making process aimed at promoting the economic growth and development of Nigeria.

4.2 Recommendations

With the continuous inflow of foreign investment to Nigeria, the country is still characterised by low per capita income, high unemployment rate, high rate of poverty etc. It is against this backdrop that the government must create an enabling environment for domestic investors to thrive. Foreign expatriate companies should be made socially responsible to the plights of the Nigerian citizens and also reduce the issue of capital flight from the country. Additionally, government should create an enabling environment and improve on some factors that will attract more FDI into the country.
Moreso, as nobody is highland of himself. There should be proper implementation and monitoring of funds borrowed by the government especially when the government incurred debt to finance capital projects. The government should checkmate the rate of borrowing by ensuring improved fiscal prudence and ensure that all debt incurred should be channelled towards specific investments in infrastructure and provision of enabling environment that encourage the creation of employment opportunities and the resultant impact on growth.
Finally, the government can achieve this by first increasing the warmth among all tiers and levels of government. This would be one primary source of confidence in the administration to affect a paradigm economic and development shift in the country. Secondly, the government must offer good governance, remain accountable to the people and be transparent in all its affairs.

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