FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON THE MANUFACTURING SECTOR IN NIGERIA (1999-2013)

BY

ALIYU OZOVEHE ILIAS
NSU/M.SC/PEDS/005/14/15

BEING A DISSERTATION SUBMITTED TO SCHOOL OF POST GRADUATE STUDIES, NASARAWA STATE UNIVERSITY, KEFFI

IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS OF SCIENCE (M.SC) DEGREE IN POLITICAL SCIENCE (POLITICAL ECONOMY AND DEVELOPMENT STUDIES)

MAY, 2018

DECLARATION

I hereby declare that this dissertation is entirely my research and no part of it has been submitted elsewhere before, the original ideas borrowed have been duly acknowledged.

..... **.....**

ALIYU OZOVEHE ILIAS **SIGNATURE /DATE**

STUDENT

DEDICATION

I dedicate this work to Almighty Allah the giver of knowledge, my wife Nafisat Adebayo, my sons Ikhlas and Ahmad and my younger sister Selimat Aliyu for their unflinching support.

APPROVAL PAGE

This research work has been read and approved thus as meeting the requirements for the awards of M.sc degree in political science(political economy and development studies).

…… DATE……..
Dr. Yahaya A. Adadu
Supervisor

…… DATE…….
Dr. Muhammad Bello B.
Head of Department

…… DATE…..……
Dr. Cannice Erunke
Internal Examiner

…… DATE…….
Prof. Abdulahi Nuhu Liman
Dean, Faculty of Social Science

…… DATE…….
Prof. S. A. S Aruwa
Dean, School Of Post Graduate Studies

ACKNOWLEDGEMENTS

I wish to express my gratitude to god the most beneficent, the most merciful for giving me the grace and wisdom to make this work a reality.

I also wish to extend my profound gratitude to my able supervisor Dr. Yahaya Adadu, in spite of all the challenges, his Teaching skill and probing skill had in no small measure made me to work more for this research work, I also want to acknowledge the effort of my hard working lecturers whose unrelenting role impacted on my achievement in no small way. Worthy of mentioning are Dr. Usman Abu Tom, Dr. Jacho David Sunday, Prof. Eugene Aliegba, Assoc Prof Jideoffor, Prof. A. A. Akinsanya, Dr. CanniceErunke, Prof Tony Edoh, I appreciate all of you for the intellectual input. May god bless you all.

I also appreciate my friends for their support starting from my able class representative Sule-out Omeiza Hamza, Michael Ejor, Abdulsalam Bello,

Adanu Jonal, Daniel Ovey, Hussaini Abdulahi, M.M Muhammed, Ali Ovey for their continue support and understanding during studies.

My special appreciation goes to my parent for bringing me to this world and being my pillar and my dear wife Omodara Nafisat Adebayo, thank you all.

ABSTRACT

The study examined the impact of foreign direct investment on the Nigeria manufacturing sector over the period of 1990 to 2013, Nigeria has embarked on several policy aims at improving the manufacturing sector productivity through FDI inflow, but it has not yielded any desired result, the study used both primary and secondary source of data in conducting this research and chi-square method was used to analysed the data. The work is predicated on dependency theory an offshoot of Marxist theory by Andre Gunder Frank 1969, Samir Amin among others the data was gotten through the use of questionnaire and interview conducted. The research found FDI in manufacturing sector to be negatively related to manufacturing output in Nigeria. However, FDI is expected to provide much needed resources to Nigeria such as capital, technology, managerial skills, entrepreneurial ability, employment, and access to markets. These are essential for Nigeria to industrialize, develop, and create jobs to attack the poverty situation in Nigeria, arising from the findings and for the manufacturing sector to meet expectations and contribute significantly to the growth and development, necessary infrastructure such as road, power need to available and ensure that ease of doing business is put in place such as registration of business name, tax holiday, effective free trade zone which will lower the costs of doing business in Nigeria.

ABBREVIATIONS

FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GDP	Gross Domestic Product
MNC	Multinational Cooperation
UNIDO	United Nation Industrial Development Organisatiom
MVA	Manufacturing Value Added
MAN	Manufacturing Association Of Nigeria
NIPC	Nigeria Investment Promotion Council
BOI	Bank Of Industry
CBN	Central Bank Of Nigeria
NBS	Nigeria Bureau Of Statistics
PHCN	Power Holding Of Nigeria
GENCOS	Generating Companies
DISCOS	Distribution Companies

TABLE OF CONTENTS

Title Page - - - - - - - - - - i

Declaration - - - - - - - - - - ii

Dedication - - - - - - - - - - iii

Approval Page - - - - - - - - - - iv

Acknowledgements - - - - - - - - - - v

Abstract - - - - - - - - - - - vi

Abbreviations- - - - - - - - - - vii

Table of Contents - - - - - - - - - viii

CHAPTER ONE

INTRODUCTION

1.1 Background to the study - - - - - - - - 1

1.2 Statement of the problem - - - - - - - - 5

1.3 Research questions - - - - - - - - - 6

1.4 Objectives of the study - - - - - - - - - 6

1.5 Significance of study - - - - - - - - 7

1.6 Research proposition - - - - - - - - 7

1.7 Scope of the study - - - - - - - - 8

1.8 Organization of the study - - - - - - - 9

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.2 Benefit of FDI - - - - - - - - 14

2.2.2 Manufacturing sector in Nigeria - - - - - - - 17

2.2.1 Drawbacks - - - - - - - - - 19

2.2.2 Various policies of attracting FDI in Nigeria - - - 22

2.2.3 Determinants of foreign direct investment - - - - 24

2.2.4 Theoretical framework - - - - - - - 26

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design - - - - - - - - - 47

3.2 Population, sample and sampling technique - - - - - 47

3.3 Method of data collection - - - - - - - 49

3.4 Data analysis - - - - - - - - 49

CHAPTER FOUR

DATA, PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Data presentation - - - - - - - - 52

4.1.1 Sex distribution of respondent - - - - - 53

4.1.2 Age distribution of respondents - - - - - - 53

4.1.3 Years of service - - - - - - - - 54

4.1.4 Do you know about foreign direct investment (FDI)? - - - 55

4.1.5 What is your assessment of the inflow of foreign direct investment into Nigeria? - - - - - - - - - 55

4.1.6 Does the manufacturing sector policy in Nigeria attract foreign direct investment? - - - - - - - - 56

4.1.7 How do you assess the available incentives this democratic government has put in place to attract foreign investment in Nigeria? - 57

4.1.8 How do you assess foreign direct investment in Nigeria in terms of job creation? - - - - - - - - - 58

4.1.9 What do you think constitute stumbling blocks in attracting foreign direct investment into Nigeria? - - - - - 58

4.1.10 Do you think there is a link between foreign direct investment and technology transfer to Nigeria? - - - - - - 59

4.1.11 Do you think foreign direct investment increases dependency of the Nigerian economy on foreign investors? - - - - - 60

4.1.12 How do you assess the level of foreign direct investment in Nigeria manufacturing sector? - - - - - - - 60

4.2 Discussion of findings - - - - - - - 61

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Summary - - - - - - - - - - 69

5.2 Conclusion - - - - - - - - - 69

5.3 Recommendations - - - - - - - - 70

References - - - - - - - - - - 74

Appendix - - - - - - - - - 77

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The quest to balance the insufficient investment in the Nigerian economy and make capital available has increased the need for foreign investment. The need for capital investment needs to be given priority because without injection of capital investment into an economy, economic growth in such country will be undermined (Uremadu, 2008). The means and sources of injection of capital investment into the economy are through domestic investment and foreign private investment. In Nigeria however, domestic investment has proven to be insufficient in giving the economy the required boost to enable it meet its growth target, because of the mismatch between their capital requirements and saving capacity (Contessi, 2009). Foreign private investment augments domestic resources to enable the country carry out effectively her development programmes and raise the standard of living of her people.

Though, foreign private investment is made up of Foreign Direct Investment and Foreign Portfolio Investment, but Foreign Direct Investment is often preferred as a means of boosting the economy (Guluzar, and Bener, 2013). This is because FDI disseminates advanced technology and managerial practices through the host country and by exhibits greater positive externalities compared with Foreign Portfolio investment which may not

involve positive transfers, just being a change in ownership. In addition, available study suggest that FDI flows tend to be more stable compared to Foreign Portfolio Investment. This is because of the rigidity in the liquidity of Foreign Portfolio Investment and the short time horizon associated with such investments (Uremadu, 2008). Therefore, the benefits of Foreign Direct Investment include transfer of technology, higher productivity, higher incomes, more revenue for government through taxes, increase in the level of capital formation, enhancement of balance of payments ability, employment generation, diversification of the industrial base and expansion, modernization and development of related industries (Raman, & Mayureh, 2012).

Some of the factors responsible for the increase in need for foreign direct investment by developed countries are:

- The world recession of the late 1970s and early 1980s and the resultant fall in the terms of trade of developing countries ,which average about 11% between 1980 and 1982;
- High real interest rate in the international capital market ,which adversely affects external indebtedness of these developing countries;
- The external debt burden;
- Bad Macroeconomic management, fall in per capital income and fall in domestic income.

According to Feldstein (2000), first, international flows of capital reduces the risk faced by owners of capital by allowing them to diversify their lending and investment. Second, the global integration of capital markets can contribute

to the spread of best practices in corporate governance, accounting rules, and legal traditions. Third, the global mobility of capital limits the ability of governments to pursue bad policies. Four, Foreign investment through FDI allows for the transfer of technology - particularly in the form of new varieties of capital inputs - that cannot be achieved through financial investments or trade in goods and services. Foreign investment through FDI can also promote competition in the domestic input market. Fifthly, recipients of FDI often gain employee training in the course of operating the new businesses, which contribute to human development in the host country. Also, profits generated by Foreign Investments contribute to corporate tax revenues in the host country.

Despite the aforementioned benefits of FDI to the host country, there is still a controversy whether foreign direct investment enhances economic growth of developing counties or otherwise. One of the many arguments leading to the controversy is that FDI activity influences the behaviour of exchange rates (Raman, & Mayureh, 2012). Exchange rate, defined as the domestic currency price of a foreign currency, matter both in terms of their levels and their volatility (Jhigan, 2005). Undoubtedly, any measure that tends to increase the volume of exports more than the rate of importation will definitely raise the value of the domestic currency vis-à-vis other foreign currencies. In Nigeria and indeed many developing countries, the price of foreign exchange plays a critical role in the ability of the economy to attain optimal levels in production activities (Inimole & Enoma, 2011). Exchange rate can influence both the

total amount of foreign direct investment that takes place and the allocation of this investment spending across a range of countries. There is a widespread contention that volatility of the exchange rate of developing countries is one of the main sources of economic instability around the world (Phillips, and Fredoun, 2008).

According to the financial standard of May 26, 2008, Nigeria attracted 12.5 Billion dollars' worth of foreign investment in 2007 alone and that the nation had a significant rise in the volume of foreign direct investment from one Billion dollars in 1999 to 12.5 Billion dollars in 2007, this information was also echoed by vanguard of May 26, 2008.

According to the vanguard, Nigeria attracts 29.4 per cent of total foreign direct investment meant for Africa, south Africa attracts 18.2 per cents while Equatorial Guinea attracts about 10%,but where are those investments and how do they impact on Nigeria's industrial sector, These questions become worrisome with the level of unemployment in Nigeria

The impact of the global economy on emerging countries like Nigeria is driven significantly by swings in the currencies of the major economic powers like United States of America. Since exchange rate volatility is subjected to external forces, its effect on domestic prices cannot be overemphasized since most developing countries (including Nigeria) have a lower exchange rate which leads to instability in domestic prices because of the high level of importation into the country. The issue of price instability becomes a re-

occurring issue in the macroeconomic challenges confronting the Nigerian government which is referred to as inflation. Also, Guluzar, and Bener, (2013) argued that Foreign Direct investment is capable of crowding-out domestic private investment because of its economies of large scale production with ability to produce at lower cost price which is below the cost price of domestic investors. Therefore, the capacity of developing countries like Nigeria to attract foreign investment is a function of the presence of natural resources, the market sizes, the level of political tranquillity, the Nigeria Government has laboured to avail these but there is no commensurate impact of foreign direct investment on industrialisation in Nigeria.

1.2 Statement of the problem

Foreign aids and grants coupled with Foreign Direct Investment have increased dramatically in Nigeria (Ayanwale, 2007) during 1980 to early 1990 and get bet better during the period of 1999 to 2003 but despite the increased flow of investment, Nigeria is still characterized by low per capita income, high unemployment rates and low and falling growth rates of GDP Foreign direct investment in manufacturing sector in Nigeria is a paradox, out of a whopping 93% of global capital flows assigned to developing countries as observed by Bouoyiour (2010), Nigeria got just 1-6% of that fraction. In addition to this, manufacturing sector contribution to GDP has hovered between 7% and 8% within this period in spite of the enormous strategies put in place to attract the foreign inflow of Foreign Direct Investment (FDI) into Nigeria to enhance the performance of the manufacturing sector, in order

to increase economic growth and development, create jobs and ensure technology transfer. This aim has not been realised, Nigeria as a country, given her natural resources base and large market size, qualifies to be a major recipient of FDI in Africa. However, the level of FDI attracted by Nigeria is mediocre (Asiedu, 2003) compared with the resources base and potential need. It is obvious that the relationship between FDI and manufacturing sector is ambiguous. Thus, this study aims at assessing the impact of FDI on Manufacturing sector, Economic growth, job creation and technology transfer into Nigeria

1.3 Research questions

The following are the research questions which guide this study:

i. What are the causes of low Foreign Direct Investment (FDI) in manufacturing sector in Nigeria?
ii. What are the strategies put in place to attract inflow of Foreign Direct Investment (FDI) in the manufacturing sector to Nigeria?
iii. What are the short-run and long-run benefits in FDI and Manufacturing sector growth in Nigeria?
iv. How can the FDI be made to improve the manufacturing sector in Nigeria

1.4 Objectives of the study

The broad objective of this study is to investigate the impact of Foreign Direct Investment on the manufacturing sector in Nigeria but, the specific objective includes:

i. To investigate the causes of low Foreign Direct investment in Nigeria manufacturing sector in Nigeria;

ii. To identify the strategies in place to attract inflow of Foreign Direct Investment (FDI) in manufacturing sector.

iii. To identify the short-run and long-run benefits between FDI and manufacturing sector growth in Nigeria.

iv. To proffer recommendations that can promote and improve FDI in Nigeria.

1.5 Research propositions

The research proposition of the study includes:

1. Declining FDI has negatively impacted on the manufacturing sector in Nigeria.

2. The strategies for attracting FDI have negatively impacted on the growth of manufacturing sector in Nigeria.

3. FDI has not significantly impacted on technology transfer.

1.6 Significance of the study

This study aims to add to existing knowledge in the study of the impacts of foreign direct investment and Manufacturing in Nigeria. Impact of Foreign direct investment (FDI) to an economy cannot be overemphasizes especially in manufacturing sector as it stimulates economic growth by opening up the economy to foreign technology, foreign ideas, capital inflows, larger market, generates employment, among others. With this importance, the

management of the sector needs to be done based on informed analysis and critical assessment which this study seeks to provide.

The research shall be made available to policy makers so as to improve the quality of policy to attract foreign direct investment(FDI) into Nigeria, it will also benefit average Nigeria to understand the importance of foreign direct investment (FDI).

It will also provide updated knowledge on foreign direct investment (FDI) for academic researcher, as no research is exhaustive itself, researcher would make further contributions, criticism and expansion on this work and thereby, furthering the frontier of knowledge

1.7 Scope of the study

The study centres on the impact of Foreign Direct Investment on economic growth in Nigeria over the years spanning through (1999-2013).

The choice of this period is deliberate because it marks a period where there was influx of FDI into Nigeria as a result of the return to democratic rule.

The research, shall review several impacts of FDI on the Nigerian economy, the areas of interests is in the manufacturing sector. Apart from this, the overall performance of the FDI inflows and its determinants in Nigeria will be given attention in the study. In addition, the will reviews key policy that the government has embarked on promote the inflows of FDI in Nigeria. This study is highly significant as it provides policy suggestion and recommendations that will transform the performance of Nigeria's

manufacturing sector. Therefore, policy makers, ministry of Trade and investment, foreign and domestic investors, and other key stakeholders in the sector will find this study indispensable in making informed analysis and decision as regards the regulation and management of manufacturing sector through the regulation of FDI inflows in to the country.

Apart from the policy relevance of the study, academic staff and students (undergraduate and postgraduate) will be enlightened on the relationship between FDI inflows and economic growths with clear understanding on the factors that influence FDI inflows in a country. This study also provides current insights on the relationship that exists between FDI and economic growths especially now that the Nigerian GDP has been rebased, so it will provide clarification on the previous studies that have been done in this area before the GDP is rebased. It will also provide information and analysis for the international community to understand the impact of Foreign Direct Investment (FDI) on Nigeria and globally.

1.8 Organisation of the study

The organisation of this work is to further guide an understanding of the structure of this research work in line with this view. Chapter one of this works will constitute the background to the study which gives a framework to the subject of discussion, a statement of problem follows which carries mind bugging issues in the research and propositions that not ought to be taken of, the research questions and objectives which the research is premised on. The significance of the study which point to the relevance of the study. The

chapter two of this work constitute the literature review of related terms and the views of scholars on the subject of discussion. The literature review is important in a research it give different opinion about the subject. The chapter three of this work will give an extant view of the method of research. Chapter four will focus on data presentation and analysis on frequency tables, chapter five will be summary, conclusion and policy recommendations.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter reviews various literatures that are relevant to this study on the research topic, the review of literatures in this chapter is structured into three parts: the conceptual review, theoretical review and empirical review.

2.1. Conceptual Review

2.1.1. Concept of Foreign Direct Investment

Foreign Direct Investment {FDI} can be generally defined as the general flow of capital from an overseas country into the host or recipient country (Akinlo, 2004). FDI play an extra ordinary and growing role in global business. It can provide a firm with new market and marketing channels, cheaper production facilities, access to new technology, product, and skills and financing for a host country or foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, product, organizational technologies and management skills, and as such can provide a strong impetus to economic development (Aliyu, 2008).

Foreign Direct Investment, in its classic definition is the defined as a company from one country making a physical investment into building a factory in another country (Hosseini, 2005). According to the International Monetary Fund, FDI is defined as investment that is made to acquire a lasting interest in an enterprises operating in an economic other than that of investor, the investor purpose begins to have an effective voice in the management of the enterprises. The Foreign or group of associated entities that makes the investment is termed the direct investor. The

incorporate or incorporated enterprises-a branch or subsidiary, respectively, in which direct investment is made to, refer to as direct investment enterprises.

Foreign Direct Investment FDI could come to the capital importing country as a subsidiary of a foreign firm. It could also come by means of formation of a country in which firms in the investing country has equity holding of the creating of fixed asset in the other country by the nationals of the investing country etc. in such investment, the foreign firm excises de-fator and de-jure control over the asset that have created.

Foreign Direct Investment possess the lesser risk than external debt for the borrowing country, although the latter promises higher return. Indeed, FDI has the advantage that it does not add to a country's contractual debt services of obligation. In a more distinctive clarification and analytical exposition, the following benefits and drawbacks of Foreign Direct Investment are discussed by Obadan (2004):

> Effective evaluation and review of some documents on foreign direct investment in relation to the past and present will give a critical synthesis of previous researches and different works. The manufacturing sector is important in the process of industrialization because of its multi-dimensional benefits to the development process in Nigeria. Companies like coca cola, Cadbury, May and baker, Berger paints among others are enough to increase the GDP of Nigeria. Indeed, some authors define industrialization in terms and increase in the share of the gross domestic product contributed by the

manufacturing sector (Rajnesh Chandra, 1992). In developing its Competitive Industrial Development Index, United Nations Industrial Development Organisation (UNIDO) defines the components of the index in terms of the attributes of a country's manufacturing sector (UNIDO, 2009). Accordingly, industrial development report identifies) as one of the measurements of industrial performance.

Foreign Direct Investment (FDI), Multinational corporations (MNCs or Multinational Enterprises (MNEs) can be generally defined as the general flow of capital from an overseas country into the host or recipient country (Akinlo, 2004). FDI plays an extra ordinary and growing role in global business. It can provide a firm with new market and marketing channels, cheaper production facilities, access to new technology, product and skills and financing for a host country or foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, product, organizational technologies and management skills, and as such can provide a strong impetus to economic development (Aliyu, 2008).

Foreign Direct Investment (FDI), in its classic meaning is defined as a company from one country making a physical investment into building a factory in another country (Hosseini, 2005). According to the International Monetary Fund, FDI is defined as investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of investor, the investor purpose begins to have an effective voice in the management of the enterprises.

Foreign Direct Investment FDI could come to the capital importing country as a subsidiary of a foreign firm. It could also come by means of formation of a country in which firms in the investing country has equity holding of creating fixed asset in the other country by the nationals of the investing country etc. such investment, the foreign firm exercises total control over the asses that have been created.

Foreign Direct Investment possesses lesser risk than external debt for the borrowing country, although the latter promises higher return. Indeed, FDI has the advantage that it does not add to a country's contractual debt services or obligation. In a more distinctive clarification and analytical exposition, the following are the benefits and drawbacks of Foreign Direct Investment as discussed by Obadan (2004).s

2.2 Benefits of FDI

i. Employment Opportunities: It is a fact that multinationals through FDI do provide jobs for the local staff in respective of the educational qualification or the skills acquired by such individuals. Adewale (2006) in his work "multinational and the gains" said that multinational activities in the country (i.e. Nigeria) have provided job for 60% of Nigerian graduates.

ii. Economic Growth: Foreign Direct Investment increases the gross domestic product and generates a stream of real income in the host countries. This increased productivity benefits local income groups earn through higher wages and expanded employment opportunities, lower

product prices paid by consumers, rent to local resource owners, and higher tax revenue or royalties to the government (Ayanwale, 2007).

iii. Technology Transfer: One of the greatest benefits of FDI to the recipient country is the access to foreign knowledge and technology that the investment often provides. Through foreign investment, the technology (knowledge as well as information) available for the production of many goods and services together with the tools for producing the goods are made available to many foreign controlled enterprises which eventually trickle down to the host countries.

iv. Additional Domestic Investment: FDI can lead to the stimulation of additional domestic investment if it is well harnessed with economic activities of the country. If foreign capital is used to develop the country's infrastructure, it will facilitate more investment.

v. Increased Balance of Payment: The enterprises established through FDI borrow invisible funds from host countries and third parties abroad. Thus, they control a share of total resources in the host country that is much larger than the recorded capital investment package.

vi. External Economies: One of the most significant benefits associated with foreign investor often lies in the external economies that accompany the inflow of capital. FDI brings to the developing country, capital and foreign exchange that help to fill both the savings gap and the foreign exchange gap. They also provide managerial ability, technical personnel, technological

knowledge, administrative organization and innovations in products and production techniques all of which are in short supply in the host economy.

Table 2.2 Time Series Data for the variables

YEAR	Foreign Direct Investment #(millions)	Labour Supply (In millions)	Gross Fixed Capital Formation #(in millions)	Growth rate of Real GDP (in rate)	Official Exchange Rate of Naira	Inflation rate	Index of Industrial Production	Interest rate on credit to Private Sector
1999	92792.47	38102686.56	1121840.5	0.47	92.69	6.6	34.6	20
2000	115952.2	39248921.04	2440292.91	5.32	102.11	6.9	36.1	21
2001	132433.7	40415525.24	2231285.08	4.41	111.94	18.9	42.7	23
2002	225224.8	41603119.73	2563707.47	3.78	120.97	12.9	54.9	25
2003	258388.6	42660300.95	3478515.47	10.35	129.36	14	56.5	21
2004	248224.6	43732314.08	3520846.24	33.74	133.50	15	55.7	19
2005	341717.3	44900539.04	4664757.25	3.44	132.14	17.9	54.8	18
2006	740208.2	46089291.6	8066037.711	8.21	128.65	8.2	53.3	17
2007	1640136	47299417.68	7063059.538	6.83	125.83	5.4	53.38	17
2008	2006498	48620135.81	9837271.234	6.27	118.56	11.6	53.84	15
2009	2224047	47336278.36	7764785.288	6.93	148.88	11.5	58.91	18
2010	2978258	47751940.62	13472284.66	7.84	150.29	13.7	55.82	18
2011	3506909	47902781.6	19961271.38	4.65	153.86	10.8	56.19	16
2013	3466351	47663666.86	22824414.35	6.75	157.49	12.2	56.98	17
2013	3805265.7	47684523	28104786	5.3233333	161.08	10.733333	57.49	16

Source: Central Bank of Nigerian Bulletin, 2013

World Bank Databank, 2014

National Bureau of Statistics

The Table 4.1 above shows the foreign direct investment in Nigeria from 1999 to 2013

2.2.1.Manufacturing sector in Nigeria

Throughout the 1990s and 2000's, Nigeria continued to rely heavily on the export of oil, allowing manufacture to remain in decline. Firms were not export orientated, and lacked efficiency, causing competitive companies to relocate factories abroad. A few key industries, such as beverages, textiles, cement and tobacco kept the sector afloat, but even these operated at under half of their capacity. To this day, production is mainly located in Lagos and its periphery, and to a lesser extent some other commercial towns such as Kano or Kaduna.

Post rebasing

The manufacturing sector shows a more optimistic picture, as more modern manufacturing activities have been captured, and prices correctly deflated so that they are representative of the price structure in the economy at that time, taking account of inflation.

Standing at a 2010 value of N3,578,641.72 million, the Manufacturing sector represented 6.55% of total real GDP in that year. It grew by N948, 803.34 million or 26.51% in 2011 to reach N4,527,445.06 million or 7.79% of real GDP in that year and by N1,061,376.64 million or 23.44% in 2012 to reach a value of N5,588,821.69 million or 7.79% of real GDP that year. However, growth was highest in 2013, at N1,644,500.79 million or 29.42%, so that the contribution of the Manufacturing sector reached N7,233,322.48 million or 9.03% of real GDP, a value that had not been recorded in decades. Part of the reason for the increase in the contribution of the manufacturing sector to GDP is the better capturing of output. Prior to rebasing manufacturing included just three activities - Oil Refining, Cement and Other Manufacturing. Now, the Other Manufacturing Activity has been broken down into 11 different activities, manufacturing output is divided among these activities. Food Beverages and Tobacco is by far the greatest contributor at N3,814.50 billion or 52.74% of the total, followed by Textiles Apparel and Footwear at N1,303.68 billion or 18.02% of the manufacturing sector total. The activities from the old classification of Cement and Oil refining follow, at N450.75 billion or 6.23% and N412.30 billion or 5.70% of the manufacturing sector total in 2013 respectively.

Formal sector Output

Total manufacturing output in the formal sector in Nigeria was N6,845,678.59 million in 2010. It increased over the following two years, by N1,326,277.80 million or 19.37% in 2011 to reach
N8,171,906.39 million and by N1,652,610.80 million or 20.22% in 2012 to reach a total of
N9,824,517.19 million.

In all three years, the formal manufacturing sector was dominated by output from the Food Beverages and Tobacco Activity, with N4,930,494.55 million or 72.02% of output contributed in 2010. Despite the activity's growth of N488,855.06 million or 9.91% in 2011 and N712,759.35 million or 13.15% in 2012, this total output share declined to 66.32% and 62.42% in 2011 and 2012 respectively. The second largest contributor to manufacturing output was the Textile, Apparel and Footwear Activity, which at N792,693.12 million in 2010, represented 11.58% of total output. With growth of N398,019.65 million or 50.21% in 2011, the total output of N1,190,712.77 million represented 14.57% of total output.

This share increased further in 2012, with output of N1,652,840.71 million representing 16.82% of the total, due to output growth of N462,127.94 million or 38.81%. Other Manufacturing and Non-Metallic Products were the third and fourth greatest contributors to manufacturing output, representing N392,317.00 million or 11.58% of the total and N187,709.52 million or 5.73% of the total in 2010. However, whilst non-metallic products' share remained relatively constant
over the period, that held by Other Manufacturing increased. The year 2011 saw a rise of N183,354.36 million or 46.74%, increasing its share to 7.04% of the total for the sector. From this total value of N575,671.36 million, it increased by a further N210,716.46 million or 36.60% , reaching N786,387.82 million or 8.00% of the total.

Basic Metals, Iron and Steel exhibited the fastest rate of growth over the period, increasing by
N77,227.64 million or 77.03% in 2011, from the N100,262.47 million recorded in 2010 to N177,490.11 million in 2011. No activities recorded negative output growth

between 2010 and 2012. Although the lowest growth rate of 9.91% was recorded for the Food, Beverages and Tobacco Activity in 2011, absolute output still increased by an impressive N488, 855.06 million.

2.2.2. Drawbacks

Just as Foreign Direct Investment has been an object of adoration as examined by the various proponents in the foregoing analysis, the literature is not also in short supply of its opponents who have given their piece of mind on this ever green concept. Akujuobi (2007) for instance sees FDI and its attendant multinational capital as that which presents exploitative channels by the developed economies against the developing ones. One of the obvious shortcomings of FDI is that it has tendency to create competition for the local firms, leading to income redistribution with negative consequences for infant industries in the host countries. In line with this, FDI may lower host country welfare in a situation where multinational activity result in sufficient profitability for domestic firms. In a more distinctive clarification and analytical exposition, Obadan (2004) and Jhigan (2007) posit that there are certain disadvantages of Foreign Direct Investment to the recipient countries which tend to offset its benefits which are:

i. Discouragement of Domestic Entrepreneurship: Foreign enterprises may also inhibit entrepreneurship in a competitive field, and there can be loss of jobs in domestic firms that lose their market share in the host countries.

ii. Adverse Effect on Domestic Saving: The expectation of the host country is that once Foreign Investment is attracted, it should have an income

effect that will lead to a higher level of domestic saving technology and employment

iii. Concession Offered by the Government: Government usually provides a level playing field to foreign investors who are prepared to establish business in the country. The Most notable facility usually provided by the government is tax holiday, infrastructure through free trade zone etc. To encourage Foreign Direct Investment, the host government may have to provide special facilities such as land, power and other public utilities, extend financial assistance, offer tax concessions or subsidize the imports. All these cost a lot of governmental resources that could have been used for development elsewhere.

iv. Inappropriate Technology: Sometimes, foreign enterprises adopt inappropriate capital intensive technologies at the detriment of employment in the labour surplus host countries. Some of them also stimulate inappropriate consumption patterns and succeed in reinforcing dualist economic structures. Capital intensive technology is incompatible with employment promotion and the advanced labour-saving technology that the foreign investor uses at home is often inappropriate in the developing country. More succinctly, FDI brings in highly capital intensive technologies which do not fit in the factor proportions of less Developed countries. Often obsolete and discarded machines and techniques are imported which involve high social costs in terms of replacement after a few years.

v. Domestic Economic Autonomy: The issue of cost in terms of erosion of autonomy in domestic policy making is less visible. It may however occur whenever a government retreats from some policy objective or sacrifices a particular policy instrument in defence of the interests of the foreign investor. The government incurs some costs in the operation of the foreign enterprise if it could have acted differently in the absence of the foreign investment. Essentially, Multinational corporations tend to use their economic power to influence government policies in less developed Countries.

vi.Unequal Mode of Remunerations: Many foreign companies or Multinationals reserve all senior executive sits for their nationals and pay them very high salaries with many perks which are a huge drain on the resources of the recipient country. At best, they train local nationals for lower and middle level posts, having little independent decision making. Moreover, the lavish spending habits of the foreign nationals have an undesirable effect on the nationals of LDCs and consequently create social tensions.

vii.Negative Externalities: Foreign investment may create negative externalities, such as pollution or environmental degradation such as oil spillage, global warming and water pollution.

viii.Capital Flight: Foreign Direct Investment has negative effect on domestic savings as it gives room for recipient country to increase its consumption. In other words, FDI brings in capital, but also leads to a stream of out-flows of profits and other investment income. More often,

when one considers the rate of interest paid on aid or debt, capital flight becomes evident.

2.2.3. Various Policies of Attracting FDI in Nigeria

There are various policies which have been put in place by successive Nigerian governments both in the past and in the present, some of which are considered in this part of the study:

Export Promotion Policy: Export promotion policy is the policy of the government which is established in order to promote the manufacturing export sector, it is aimed at promoting the exportation of manufacturing products through introduction of incentives, tax holiday etc. An advanced form of this policy is to develop the export sector to improve by adding value to their local exports and converting them to semi-finished goods or finished goods before leaving the shores of the country. Export promotion is indispensable for overcoming disequilibrium in the balance of payments. This policy, in turn, necessitates the adoption of the following measures:

(i) An essential precondition for the fulfilment of the export promotion programme is the realization of the production targets set in the agricultural mineral and industrial sectors of the economy (Nigeria);

(ii) Restraining the growth of domestic consumption of commodities through fiscal or other measures in order to create adequate export surplus;

(iii) Maintenance of reasonable internal price stability;

(iv) Modernization of export-oriented industries;

(v) Timely import of raw materials and capital equipment needed for the production of exportable goods and even supplying them at subsidized prices;

(vi) Relaxation or removal of export restrictions on exportable goods;

(vii) Provision of credit, insurance and transport facilities to exporters.

Import Substitution: Another important method to overcome the balance of payments difficulties has been the import substitution. The strategy is to cut down imports of consumer goods and produce them at home. As Myrdal (2009) has pointed out, "The danger on the foreign exchange front provides a reason for directing investments in industry towards production of commodities that are substitutes for imports. According to Hirschman (2007), there are four impulses of import substituting industrialization. They are the balance of payments difficulties, wars, gradual growth of income, and deliberate development policy. The first leads to a bias in favour of non-essential industries and the last are likely to produce exactly the opposite bias. The two motivating forces of industrialization by import substitution in developing countries have been balance of payments difficulties and deliberate development policy. The measures which are adopted in pursuance of these two impulses are import duties, quotas and import of exchange surcharges and multiple exchange rates as price-protective devices, while tax exemption and subsidies are used to reduce costs in import-competing industries. Import substitution necessarily begins with the manufacture of durable consumer goods at the final stages of production. The country imports many converting assembling and mixing plants and turns out finished

consumer goods that were previously imported and then moves on, more or less rapidly and successfully to the higher stages of production – to intermediate goods and machinery through backward linkage effects.

Case for Import Substitution: Import substitution historically has been seen as a mechanism of international inequality to the disadvantage of backward countries. They are, therefore, justified in adopting the strategy of industrialization by import substitution for the purpose of achieving self-sufficiency in the long run and to save foreign exchange by substituting imports by home production.

Openness of the Economy: Among the things that Nigerian government adopted is the openness of its economy, which welcomes investors and traders such as the arrival of MTN Nigeria, SHELL, CHEVRON, CADBURY etc.

2.2.4. Determinants of Foreign Direct Investment

The factors determining foreign direct investment as suggested by (Obwona, 2001) are:

i. **Differential Returns Hypothesis**: this emphasizes the role of inter-country differences in rates of return in determining the flow of foreign investment. A positive differential between returns on investment abroad and at home would be associated with a more rapid expansion of foreign investment; a negative differential would be associated with slower growth abroad. Differential profit rates, which indicate differences in marginal productivity of capital, will create an inducement for foreign capital.

ii. **Size of Market Hypothesis:** This derives from the premise that an inadequate

market size retards the specialization of resources. Accordingly, this hypothesis states that foreign investment will take place as soon as the market size is large enough to permit the intensity of demand for the output produced by foreign capital.

iii. **Growth Hypothesis:** These are closely related to the market rate of growth. These hypotheses emanate from the relation between the level of aggregate demand and the stock of capital required to satisfy it. As aggregate demand increases, a higher level of foreign investment will be stimulated to support a higher level of output.

iv. **Protective Policies:** These policies which take the form of a variety of tariff and non-tariff barriers are expected directly to induce foreign investors to undertake direct investments in the protected market to which they earlier exported their products. Increasing customs duties thus constitute a major factor in FDI flows.

v. **Level of per capita Income**: Private investment responds positively to higher level of per capita income.

vi. **Political Instability:** An intermittent or prolonged political upheaval has the tendency to truncate economic progress. Internal political troubles may be projected outwards as creating difficulties for foreign firms, including threats of nationalism.

vii. **Investment Climate**: Here, increase in FDI flows are associated with improvements in the investment climate. In empirical studies, the elements of

the investment covered include macro-economic policy, the legal frameworks, and political instability, infrastructure health and education services.

2. 2.5. Theoretical Framework

Dependency Theory

Dependency theory is an offshoot of the Marxist theory. Amongst the foremost contributors to this theory are: Frank, 1969, Amin, 1972, Ake, 1980, Onimode, 1982). In Dos Santos (2010) conceives of Dependency theory as a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjugated (Santos in Abraham, 2010). A country is said to be dependent when it lacks self-propelling development capacity or the auto centric momentum that can engenders development. Sunkel, (1969) cited in Abraham (2010) conceives of dependency theory as an explanation of the economic development of a state in terms of the external influences, political, economic and cultural national development policies.

The main drive of dependency theory is that development and underdevelopment are but two sides of the same coin. This implies that the forces that bring about development of the developed countries are equally, almost simultaneously, responsible for the underdevelopment and backwardness of the third world countries of Latin America, Asia, Pacific Region and Africa. Thus, the policy advantage that would have engendered development in the Third World Countries lies outside the border of the Third

World countries, thereby rendering them vulnerable and subservient to the whims and caprices of the West.

Baran (1973) holds the view that development of the Metropolis is made possible, because the economic surpluses generated within their economies are retained therein, thereby leading to further development that has multiplier effect on the developed countries while on the contrary, the economics surpluses generated in the peripheries are transferred to the centre, thereby leading to surplus leakages in the Third World Countries and this has led to the development of the west and further improvement the south. Frank (1969) in Igwe (2010) who is regarded as the most prolific writer of dependency school poignantly asserts "that the capitalist system has enforced a rigid and unequal international division of labour which is responsible for the underdevelopment of most third world countries in that the dependent states supply cheap labour and also serve as the repositories of surplus capital, obsolete technologies and manufactured goods and services from the developed nations. This has relegated most developing countries to a rentier state-the state that consumes what it does not produce and produces what it does not consume. Four types of dependencies are found in the literature; these are:

i. Direct economic dependence;

ii. Trade dependence;

iii. Financial dependence;

iv. Technical dependence or the importation of foreign technology (Abraham, 2010).

In summary dependence theory which is predicated on the notion that the global international division of labour is such that allows industrial development to take place in some countries, while at the same time it restricting the growth and development of other countries. What comes out of these theoretical underpinnings when applied to Foreign Direct Investment is that this international division of labour orients the economies of the dependent states towards outside money. Goods and services do flow into dependent states, but the allocation of these resources is determined by the economic interests of the dominant states and not by the economy interests of the dependent state. This division of labour is ultimately responsible for poverty in the dependent states as capitalism regards the division of labour as a necessary condition for efficient allocation of resources. (Aremu, 2005, Abraham 2010). This assertion finds justification in the works of Jhingan (2008) when he posits that "Dependency could be summarized in two perspectives:

i. It leads to the slowing down of the rate of economic growth in the dependent countries.

ii. It heightened inequality between the developed and developing countries and inequality, among the citizens.

On the argument that dependency retards economic growth, Jhingan (1998) explains further that dependent countries suffer from direct exploitation as

foreign firms repatriate profits overseas rather than reinvest them in domestic economy of the recipient country, thereby limiting the growth and development that could have been achieved in the dependent countries.

Furthermore, dependency on foreign interest and foreign economic penetration keeps the state weak and prevents it from effectively playing its assigned roles in protecting domestic industries and fostering economic growth. On the argument that dependency heightens economic inequality, Jhigan affirms that Foreign firms keep important parts of their original structures overseas or bring in their own skilled and technical personnel, because of this, they do not foster the development of any middle class and middle level management as well as the bureaucratic elite that would tend to help in encouraging income redistribution considering the foregoing, Frank (1969) pungently asserts that "the only way through which the Third World Countries could be emancipated from the unbridled exploitation and underdevelopment by the west is that the Third World Countries should delink from the global capitalist system.

Having critically examined the theoretical underpinnings of the theories adopted in the execution of this research work, it is incontrovertible and evident that both the liberal and dependency theories have been tremendously useful, thus, advancing our analysis and understanding of our research. While the liberalist such as Blanchard (1993), Fryman (1994) to mentions but a few adumbrate a vast array of benefits that accompany Foreign Direct Investment to the host economies, coupled with the

indispensability of the accelerated pace of global economic integration, occasioned by widening intensification of territorial linkages in trade, finance and policies in this age of globalization. The main thrust of the Dependency scholars such as Amin (1972) and Onimode (1982) to mentions but a few that Foreign Direct Investment leads to transfer of economic control and wealth to foreign powers, thereby leading to economic marginalization and underdevelopment of the host economies, mostly less developed and developing countries. Karl/Marx in the same line of thought posited "It is capitalism, both at national and world level that produce underdevelopment in the past and present". Neo-Marxists such as Barley, Sugden and Thomas (1998) in Aremu (2005) went further to contend that international capitalists though FDI collaborate with the domestic allies in host economy of FDI, particularly in the developing countries to perpetuate the exploitation of the unsuspecting host economies. In dependency theorists, the self-assertion of the capitalists was created and nurtured during the colonial administration and perpetuated through neo-colonialism in which the transnational corporations simply continued the race of continual strangulation of developing countries' economies, having received the 'baton' from the imperial powers (Igwe,2010).The question now is; Can a dependent economy experience sustainable development through Foreign Direct Investment (FDI).

Core countries are capital intensive, have high wages and high technology production patterns and lower amounts of labour exploitation and coercion. Peripheral countries (e.g., most African countries and low income countries in

South America) are dependent on core countries for capital and are less industrialized and urbanized. Peripheral countries are usually agrarian with low literacy rates and lack consistent Internet access. Semi-peripheral countries (e.g., South Korea, Taiwan, Mexico, Brazil, India, Nigeria, and South Africa) are less developed than core nations, but moredeveloped than peripheral nations. They are the buffer between core and peripheral countries. Core countries own most of the world's capital and technology and have great control over world trade and economic agreements. They are also the cultural centres which attract artists and intellectuals. They can also set the prices for the agricultural products that peripheral countries export regardless of market prices, forcing small farmers to abandon their fields, because they can't afford to pay for labour and fertilizer. The wealthy in peripheral countries benefit from the labour of poor workers and from their own economic relations with core country capitalists.

The Nigerian state with its post-colonial formation largely fulfils the criteria on a periphery nation outlined by Wallerstein, our even relationship with Europe and now including North America remains basically unchanged. We continue to be trading in a post which supplies primary products which is basically oiled for processed goods, the existence of import substitution industries does not detract from this fact. These trading posts are maintained by our citizens. These agents can be grouped into four: the influential, the commercial, the bureaucratic, and the technical trading post agents. The activities of these agents constitute impediments to black African development. The country is

now two decades old and an equal distance away from the twenty first century. Nigeria however portrays the following characteristics:

- Less economically diversified;
- Have relatively weak governments;
- Have relatively weak institutions with little tax base to support infrastructure development;
- Tends to depend on one type of economic activity, often on extracting and exporting raw materials to core nations;
- Tends to be least industrialized;
- Is a target for investments from multinational (or transnational) corporations from core nations that come into the country to exploit cheap unskilled labour for export back to core nations;
- Has small bourgeois and large peasant classes;
- Has a high percentage of its people that are poor and uneducated;
- Inequality tends to be very high because of a small upper class that owns most of the land and has profitable ties to multinational corporations;
- Tends to be extensively influenced by core nations and their multinational corporations. Many times they are forced to follow economic policies that favour core nations and harm the long-term economic prospects of periphery nations.

FDI is also an investment made to acquire a lasting management interest (normally 10% of voting sock) in a business enterprise operating in a country other than that of the investors defined according to residency (World Bank, 1996). There are, nonetheless, other definitions of FDI. This is because it is a complex field as it touches almost all facets of human endeavour. Consequently, its definition as well as its usefulness depends on the investing multinational corporations (MNCs) or the recipient/host country positions. The present review will focus more on the relevance of FDI to the Nigeria economy. Two schools of thought exist with a strong wall of partition separating them. On one side are the proforeign international schools that see FDI as adding new resources in terms of capital, technology, managerial skill and technical know-how, productivity gains and so on to the host economy. They regard FDI as potent enough to improve the prevailing efficiency in the productive sector, stimulate change for faster economic growth, create jobs, faster growth and improve the distribution of income by bidding up wages in the host economics. On the other side of the wall are the opposing dependency school drawing their arrangement from Marist dependency theory. They doubt whether FDIwhich do soak up local financial resources for their own profits-can bring about industrialization because foreign investors see host economics as merely serving the interest of their home countries in supplying basic needs for their companies. This schools view foreign investors as "imperialistic predators" that specialize in exploiting the entire globe for the sake of corporate few as well as creating a wet of political and economic dependence among nations to the detriment of the weaker ones. This group thought that foreign investors set artificial prices to extract excessive profits, make insufficient transfer of technology at too high cost, crowds-out domestic

investment and exert serious strains on the balance of payment of the host country. Robu (2010) assert that FDI is usually sought by countries that are going through the transition period and/or those that face severe structural unemployment. This is the situation of Nigeria. Aremu (1997) noted that Nigeria as one of the developing countries of the world, has adopted a number of measures aimed at accelerating growth and development in the domestic economy. One of such measures is FDI attraction. The Curr. Res. J. Econ. Theory., 5(4): 71-81, 2013 73 realization of the importance of FDI had informed the radical and pragmatic economic reforms introduced since the mid-1980s by the Nigeria government. According to Ojo (1998), the reforms were designed to increase the attractiveness of Nigeria's investment opportunities and foster the growing confidence in the economy so as to encourage foreign investors in Nigeria. The reforms resulted in the adoption of liberal and market-oriented economic policies, the stimulation of increased private sector participation and the elimination of bureaucratic obstacles which hinders private sector investments and long-term profitable business operations in Nigeria. One of the targets of these reforms is to encourage the existence of foreign MNCs and other private investors in some strategic sectors of the Nigeria economy like the oil industry, banking industry, communication industry and others. Since the enthronement of democracy in 1999, the government of Nigeria has taken a number of measures necessary to woo foreign investors in the country. Some of these measures include the repeal of laws that are inimical to the foreign investment growth, promulgation of investment laws, various overseas trips for image laundry by some presidents among others. Umah (2007) asserts that the Nigeria government has instituted various institutions, policies and laws aimed at

encouraging foreign investors. These efforts have not been in vain as the country has witnessed amazing inflow of FDI in the recent times (Adofu, 2010). But whether FDI plays the acclaimed role of pushing the economy forward is a topic that is currently generating a dramatic wave among researchers and economic law makers. The policymakers do not have much analytical tool to assess the performance of FDI in Nigeria economy. They generally add their voice by citing other countries of the world that actively engage in FDI and thus, hopefully, argue that FDI might be playing the same role in Nigeria's economy. They rather look forward to the empirical analyst to show them the way forward. But the empirical literatures do not have one voice as well. Some of the authors that find positive linkages between FDI and economic development in Nigeria are Aluko (1961), Brown (1962), Oyaide (1977), Obinna (1983), Ariyo (1998), Chete (1998), Anyanwu (1998) and Oseghale and Amenkhienan (1987). Others such as Oyinlola (1995), Badeji and Abayomi (2011) and Otepola (2002) argue that FDI retard economic growth in Nigeria. Amidst those who report positive connections are those that find that the contribution is statistically insignificant (Anyanwu, 1998; Adofu, 2010) and as such frown at, according to Adofu (2010), "undue attention" given to FDI in Nigeria. The implication of the conflicting economic advice that arises from these multifarious results is palpable.

Dependency Theory and Nigeria's Underdevelopment

It should be pointed out here that the arrowhead factors nurturing underdevelopment in Nigeria is poor or bad governance and leadership inertia. In other words, it is on these two issues that other factors (both internal and external) are anchored. What this implies in the words of Nnadozie (2010) is that any attempt to address underdevelopment in Nigeria must be zeroed in on the problem of leadership inertia and bad governance. That Nigeria is overwhelmed by poverty and underdevelopment today can easily be attributed to poor, visionless, inept and selfish leadership' (Achebe, 1998 and Nnadozie, 2006). From the experiences of other continents, including America and Asia which passed through similar historical experiences as Africa such as colonialism and foreign domination, it is evident that their ability to jerk off the yoke of external domination and exploitation and leap into first and middle class industrialized societies never occurred until their leaders rejected foreign domination by taking concrete steps through their visionary, resilient, selfless and charismatic leadership. Indeed, the central factor sustaining underdevelopment in Nigeria is squarely a failure of leadership that is, the unwillingness or inability of its leaders to rise to the occasion in their responsibility and the challenge of personal example which are the hallmarks of the true leadership. Nigeria has been less than fortunate in their leadership; and a fundamental element of this misfortune is the seminal as absence of intellectual rigour in the political thought of many of the founding fathers of the country; a proclivity "to pious materialistic wooliness and self-oriented pedestrianism" (Achebe, 1998). The ways by which the Nigerian leaders have sustained the

underdevelopment of the country are as follows: one is the manner Nigerian leaders have been mismanaging the enormous and God-given resources of the country. They waste the wealth of the nation by purchasing foreign and exotic goods and services for themselves, friends and cronies. Secondly, a large junk of that wealth was simply stolen through inflated contracts, frauds and other dubious methods. Apart from direct stealing of public fund, there is also the adoption of corrupted concept of development and development projects and programmes by governments in Nigeria, hence investments and public fund are for pecuniary reasons directed by our leaders at white elephant projects and programmes that do not yield dividends or create employment for the people as private interests override public interests. Colossal sums of public money has been lost in is manner. Nigerian leaders who loot their state treasuries often take the monies to foreign banks mostly in Europe and America, thereby depriving the country even the benefits of reaping from investing the stolen money in the country; as a large chunk of state resources should have been channelled into productive sectors of the economy to strengthen social services, especially in the areas of health, education, infrastructural facilities and energy. The money all end up in the pockets of few privileged state/government officials and the people are worst off for it (Nnadozie, 2010). Eranga (2009) wrote that Nigeria is besieged with huge debt burden and unequal foreign exchanged and that her economy is in a state of near-collapse. Despite the debt cancellation by the Paris Club, Nigeria still owes huge debts, as the nation's total debt stock as at end of 2010 stood at $4.7 billion for external debt and #4.5 trillion for domestic debt (Babajide, 2011). Inflation is on the increase day in and day out, reaching to its peak when it was rated at 10.5 percent in October 2011. Unemployment, statistically

given at 4.9 percent in 2007 by Index Mundi (2011) has ravaged the economy to the extent that it has been said that about 64 million Nigerian graduates are unemployed as evidenced by the teeming millions of Nigeria youths roaming the street in utmost despair; Majority of them joining crime and other social vices to make ends meet as they must feed, clothe have a shelter over their head and fend for their immediate families. These factors are clear indicators of severe underdevelopment in Nigeria when compared to most developing countries of Africa and when consideration is paid to the amount of loot that goes in the higher and highest echelon of our public and political realms. Such categorization has led to the assertion that Nigerian economy presently is characterized by galloping inflation, unequal foreign exchange rate exasperated by devalued currency and persistent dependence on importation, widespread unemployment, dilapidated infrastructures exemplified in the nature of the Nigeria roads and death conservative nature of Nigerian hospitals, epileptic power supply that has helped crippled all aspect of the societal survival possibility, near death state of the educational sector leading to a unavoidable brain drain. Entrepreneurship has died as corruption in the system has left nothing to desire in hard work and labour as youths are now concerned with money-making irrespective of how it comes and who gets hurt in the process. This is why diligence and honesty has been dethroned while dishonesty and greed has been enthroned. This also explains why merit has died in Nigeria making way for mediocrity (Eme and Emeh, 2012).

Summarily, the core of Dependency theories argument is premised on the note that the wealthy nations of the world need a peripheral group of poorer

nation in order to remain wealthy and that poverty of the these countries in the periphery is not because they are not integrated into the world system, but because of how they are disadvantageously integrated into the system. Gunder Frank however believes that the poorer regions must break ties with or delink from the developed countries in order to prosper (Igwe, 2010). Dependency theory has however been flawed on the ground that it ignores the existence and roles of different classes in the production and appropriation of economic surplus, thereby neglecting the role of internal class structure in explaining underdevelopment of the Less developed countries. Furthermore, the position of Gunder Frank (1969) that Third World Countries should delink from the global capitalist system has been punctured and considered as utopian on the ground that No nation is an Island to itself nor can any country perpetually operate in autarky (isolation). Hence, the need for interdependence among nations becomes inevitable. Nevertheless, the theory has been found useful to the extent that by suggesting the asymmetrical relationships that exist between the North and the South, they help to generate debate, thereby and also open a new visa which encourages political analysis and generalization beyond the peculiarities of individual, country's case study. Thus, Dependency and world system theory when applied to Nigeria exposes the structural crises and contradictions of the Nigerian state, the nature and character of its ruling elite as well as the disabilities inherent in the international division of labour to the haves and have-nots which constitutes formidable albatross to sustainable socio-political and economic development.

2.1. **Empirical review**

Many studies have cited the role of FDI in boasting host country's market size and economic growth; their studies adopt various methodologies and the conclusions of their studies are shown in this section. For example, study by Loungani (2003) employ a gravity model of bilateral FDI and portfolio capital flow in order to explain determinants of the mobility of financial capital across countries. The study revealed that the industry specialization in the source countries, the ease of communications between the source country and the destination country (as measured by the telephone densities in each country), and debt equity ratios of publicly traded companies affect the flow of FDI.

Focusing on Kenya, Elijah (2006) employed an econometric model to regress FDI on exogenous variables that include human capital, real exchange rate, annual inflation and openness of the economy. The author found that economic openness and human capital affect FDI inflows positively in the short-run. But inflation and real exchange were negatively related to FDI inflows in the short-run and long-run respectively. A similar econometric model of FDI was used by Fuat and Ekrem (2002) to examine location related factors that influence FDI inflows into the Turkish economy. They discovered that the size of the host country's market, infrastructure (proxied by share of transportation, energy and communication expenditures in GDP) and the openness of the economy (as measured by the ratio of exports to imports) are positively related to FDI inflows. The results further revealed that both exchange rate instability and economic instability (measured by interest rate) have negative effects on FDI.

Tang et.al (2008) explores the causal link between FDI, domestic investment and economic growth in China between 1988 – 2003 using the multivariate VAR and ECM. The results indicate that there is a bi-directional causality between domestic investment and economic growth, while there is a single directional causality from FDI to domestic investment and economic growth.

Ogbekor (2005) examines the role of exports and FDI on the growth of Namibian economy from 1991 to 2001. Using a combination of bivariate and multivariate variable models, the study concludes that FDI and export aids economic growth potential. Contrarily, Athukorala (2003)'s study on the impact of foreign direct investment on economic growth in Sri Lanka between 1959 – 2002, agrees that the regression results do not provide much support for the view of robust link between FDI and growth in Sri Lanka. He posits that the situation is due to lack of improved investment climate such as good governance, accountability, political instability and disturbance, bureaucratic inertia, among other reasons.

Kumar and Pradham (2002) analyze the relationship between FDI, growth and domestic investment for a sample of 107 developing countries for the periods 1980 – 99. Their model uses flow of output as the dependent variable and domestic and foreign owned capital stock, labour, human skills, capital stock and total factor productivity as their independent variables. Their results show that panel data estimations in a production function framework suggest a positive effect of FDI on growth, although FDI appears to crowd out domestic investments in net terms, in general, some countries have had favourable effects of FDI on domestic investments

in net terms, suggesting a role for host country policies. FDI could be beneficial in the short run but not in the long run.

Ayanwale (2007) employs an augmented growth model via the ordinary least square and the 2SLS methods to ascertain the relationship between FDI, its components and economic growth. His results suggest that the determinants of FDI in Nigeria are market size, infrastructure development and stable macroeconomic policy. Openness to trade and available human capital are, however, not FDI inducing but FDI was found to contribute to economic growth in Nigeria. Ayanwale and Bamire (2004) report a positive and significant effect of FDI on the productivity of both domestic and foreign firms in the Nigerian Agro/agro Allied sector.

Osinubi and Amaghionyediwe (2010) investigates the relationship between foreign private investment (FPI) and economic growth in Nigeria for the periods 1970 – 2005 and find that FPI, domestic investment growth, net export growth and the lagged error term were statistically significant in explaining variations in Nigeria economic growth.

Ayashagba and Abachi (2002) explore the relationship between FDI and economic growth in Nigeria during the periods 1980 -1997 and find that FDI had significant impact on economic growth. In a study on the impact of FDI on economic growth in Nigeria, for the periods 1970 – 2001, Akinlo (2004) through his ECM results shows that both private capital and lagged foreign capital have little and not statistically significant effect on the economic growth. The results seem to support the argument that extractive FDI might not be growth enhancing as much as manufacturing FDI.

De Gregorio (2003) in his contribution to the debate on the importance of FDI notes that FDI may allow a country to bring in technologies and knowledge that are not readily available to domestic investors and in this way increase productivity growth in the economy. In his study, he finds that increasing aggregate investment by 1 percent point of GDP increases economic growth of Latin American countries by 0.1 to 0.2 percent a year, but increasing FDI by the same amount increases growth by approximately 0.6 percent a year during the periods of 1980 – 85, thus indicating that FDI is three times more efficient than domestic investment.

Ledyaeva and Linden (2006) determines the FDI impact on per capita growth in 74 Russian regions during the periods 1996 – 2003. Their framework related real per capita growth rate to initial levels of state variables such as the stock of physical capital and the stock of human capital and control variables viewed as important factors in the Russian economy's regional development in the analyzed period. Their results imply that in general FDI (or related investment components) do not contribute significantly to economic growth during the period but that some evidence of positive aggregate FDI effects in higher income regions is relevant. However, FDI seems not to play any significant role in the recent growth convergence process among Russian regions.

Adelegan (2000) explored the seemingly unrelated regression model to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption and pro-import and negatively related to gross domestic investment. Akinlo (2004) found that foreign capital has a small and not statistically significant effect on economic growth in Nigeria. However, these studies did not control for the

fact that most of the FDI was concentrated in the extractive industry. In other words, it could be put that these works assessed the impact of investment in extractive industry (oil and natural resources) on Nigeria's economic growth. On firm level productivity spillover, Ayanwale and Bamire (2001) assess the influence of FDI on firm level productivity in Nigeria and report a positive spillover of foreign firms on domestic firm's productivity. Much of the other empirical work on FDI in Nigeria centred on examination of its nature, determinants and potentials.

Jerome and Ogunkola (2004) assessed the magnitude, direction and prospects of FDI in Nigeria. They noted that while the FDI regime in Nigeria was generally improving, some serious deficiencies remain. These deficiencies are mainly in the area of the corporate environment (such as corporate law, bankruptcy, labour law, etc.) and institutional uncertainty, as well as the rule of law. The establishment and the activities of the Economic and Financial Crimes Commission, the Independent Corrupt Practices Commission, and the Nigerian Investment Promotion Commission are efforts to improve the corporate environment and uphold the rule of law.

Kumar and Pradhan (2002) analyze the relationship between FDI, growth and domestic investment for a sample of 107 developing countries for the 1980-99 period. Their model uses flow of output as the dependent variable and domestic and foreign owned capital stock, labor, human skills capital stock and total factor productivity as their independent variables. Their results show that panel data

estimations in a production function framework suggest a positive effect of FDI on growth and although FDI appears to crowd-out domestic investments in net terms, in general, some countries have had favourable effect of FDI on domestic investments in net terms suggesting a role for host country policies.

Ayashagba, (2002) assessed the extent to which foreign direct investment in developing countries crowds in or crowds out domestic investment. Their model is run for three developing regions (Africa, Asia and Latin America) with panel data for the period 1970–1996 and the two sub-periods 1976–1985 and 1986–1996. Their model differed from previous models with the inclusion of lagged variables in the model (lagged FDI, lagged domestic investment and lagged growth rates). The results indicate that in Asia – but less so in Africa – there has been strong crowding in of domestic investment by FDI; by contrast, strong crowding out has been the norm in Latin America. The conclusion they reached was that the effects of FDI on domestic investment are by no means always favourable and that simplistic policies toward FDI are unlikely to be optimal.

2.2. Implication of the Literature Review

The review of literatures have provided arguments from various literatures on the impact of FDI on the economic growth, evidences have been obtained from studies that were conducted in both developing and developed countries. From the findings, it is noted that some variables which determines FDI inflows are not captured in the reviewed literatures such as: Labour supply in the host country, capital stock of the host country; these variables are important determinants for the inflow of FDI in Nigeria mainly because foreign investors rely more on domestic labour force to run

their business operation which their limited foreign expatriate cannot achieved. Also, it is of important to note that most of the studies omitted trade openness as an important factor in the inflow of FDI, the degree to which a country open up her trade laws for foreign investment will determine the inflow and extent to which the economy can grow as a result of FDI, this is an important gap which this present study covers. Furthermore, the index of existing domestic manufacturing production provides information on the business success potentials in the country; this important factor is not captured in reviewed literatures as well. It is therefore important to re-consider the impact of FDI and its determinants on economic growth.

CHAPTER THREE

RESEARCH METHODOLOGY

Data for the study were drawn from primary and secondary sources. The primary source was through structured questionnaire and personal interview, while secondary data was obtained through extensive literature review, books, journals etc. furthermore, the researcher used content analysis.

3.1 Research Design

We used survey research design in this study. The study therefore used questionnaire and personal interview as instruments of drawing information from respondents in six organisations.

3.2 Research Population

The population for this study is 29,000 from the Federal Ministry of Industry, Trade and Investment, Manufacturing Association of Nigeria (MAN), Nigerian Investment Promotion Council (NIPC), Bank of Industry (BOI), Federal Ministry of Finance and Central Bank of Nigeria (CBN). The survey design technique was adopted in this study. The target population is analysed on frequency tables below.

Table 3.2: Population of the Respondents

S/No	Ministry, Agencies and Parastatals	Department	Staff strength/members
1	Ministry of trade and	Investment and	7,450

	investment	Trade	
2	Central Bank of Nigeria(CBN)	Statistics	7150
3	Manufacturing Sector	Members	3200
4	Nigeria Investment Promotion Council(NIPC)	Department of overseas and investment promotion	1200
5	Bank of Industry (BOI)	Strategic planning &Research	2500
6	Ministry of finance	Economic research and policy management	7500
	Total		**29,000**

Source: Sample Frame, 2016

3.2.1 Sampling and Sampling Technique

There are two broad sampling techniques in the Social Sciences. These are probability and non-probability sampling techniques. Probability sampling techniques include: simple random sampling, proportional sampling technique etc. While non-probabilitysampling techniques include: snowball sampling technique, judgement sampling technique etc. Because our study is quantitative in nature, we adopted the probability sampling technique, that is, the sampling random technique.

3.2.2 Sample Size

Based on our selected population size of 29000 the sample size of this study is determine by using Taro Yamani formula, this formula is used to determine

the sampling shown on table 3.2.with population from Federal ministry of Trade and Investment, Central Bank of Nigeria (CBN), Federal ministry of finance (FMF),National Investment Promotion Council (NIPC),Bank of industry (BOI) and Manufacturers association of Nigeria

Taro Yamane formula

$$S = \frac{N}{1 + Ne^2}$$

$$\frac{29000}{1 + 29000\ (0.05)^2}$$

$$\frac{29000}{1 + 29000\ (0.0025)}$$

$$\frac{29000,}{72.5}$$

$$= 400$$

3.3 Method of Data Collection

Two methods of data collection were employed in this study. These were the primary (structured questionnaire) and the secondary (books, journals, newspapers, and internet) methods. The interview method was used in order to increase the depth of the study by obtaining information which could not be gotten through the questionnaire.

1. Ministry of trade and investment

$$\frac{7,450}{29,000} * 400 = 103$$

2. Central Bank of Nigeria (CBN)

7150 * 400 = 98
29,000

3. Nigeria investment promotion council (NIPC)

1,200 * 400 = 18

29,000

4. Manufacturers Association of Nigeria (MAN)

3,200 * 400 = 44

29,000

5. Bank of industry (BOI)

2,500 * 400 = 34

29,000

6. 7,500 * 400 = 103

29,000

3.4 Technique for Data Analysis

The data collected in this study will be presented in simple percentage using frequency tables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter is concerned with presentation and analysis of the various responses to the questionnaire administered. The relevance of presentation of data analysis is to enable the researcher to arrive at logical conclusions. The purpose of this analysis is to scientifically determine the validity of issues raised in the preceding chapter, to test the hypotheses stated in chapter one. This means whether to accept or to reject, simple model average is employed. In this analysis (100%) was used.

4. 1 Data Presentation

This section deals with the presentation and analysis of data and responses from the questionnaire returned by respondents including responses of interviewees. In all, a total of 400 copies of questionnaire were distributed to the research population in six agencies. However, only 382 copies of questionnaire were successfully completed and returned upon which this analysis is based. The questions are structured into 14 questions relevant to the topic.

For the purpose of this research, the simple percentage method is adopted in filling respondent's opinion on the questions raised in the questionnaire and results thereof presented in an explanatory manner.

QUESTIONNAIRE

DEMOGRAPHIC ANALYSIS OF RESPONDENTS

Table 4.1: Sex Distribution of Respondents

Sex	Frequency	Percentage (%)
Male	260	68
Female	122	32
Total	**382**	**100**

Source: *Field Survey, 2016*

Table 4.1 above shows that 68% of respondents were men, while women accounted for 32%. This means that more men were available to respond to the questionnaire than women.

Table 4.2: **Age Distribution of Respondents**

Age	Frequency	Percentage (%)
20 – 30	17	4
31 – 40	140	37
41 – 50	178	47
Above 50	47	12
Total	**382**	**100**

Source*: Field Survey, 2016*

From the table above, 4% of respondents represents the age bracket between 20 – 30, 37% represents 31 – 40, 47% represents 41 – 50 while 12% of respondents were those above 50 years.

Table 4.3: Years of Service

Years in Service	Frequency	Percentage (%)
1 – 5	29	7
6 – 10	140	37
11 – 15	161	42
16 and above	52	14
Total	**382**	**100**

Source: Field Survey, 2016

From the table above, 7% of the respondents had worked between 1 – 5 years, 37% of the respondents have worked between 6 – 10 years, 42% respondents have worked between 11 – 15 years, and 14% respondents have worked for 16 years and above. From this analysis, over 90% of the respondents have worked in their various organisations for at least 6 years. This means that, their experience in their jobs and subsequent responses were very useful and guided the researcher in getting depth information on the topic under investigation.

Table 4.4: Do you know about Foreign Direct Investment (FDI)?

Variable	Frequency	Percentage (%)
Yes	344	90
No	30	8
Undecided	8	2
Total	**382**	**100**

Source: Field Survey, 2016

From the table above, 90% of the respondents affirmed that they know what FDI means, while 8 % said No, while 2% were indecisive. This implies that more respondents are actually conversant with the topic. Therefore, this assisted or guided the direction of subsequent responses from the respondents.

Table 4.5: What is your assessment of the inflow of Foreign Direct Investment into Nigeria?

Variable	Frequency	Percentage (%)
High	21	5
Low	241	63
Average	99	26
Undecided	21	6
Total	**382**	**100**

Source: Field Survey, 2016

From the table above, 5% of respondents assessed FDI as high, 63% said low, 26% said it is average, while 6% remained indecisive. Analytically, the respondents between low and average making up 89% assessed FDI low and average. This means that, the inflow of FDI into Nigeria is not impressive.

Table 4.6: Does the Manufacturing sector policy in Nigeria attract Foreign Direct Investment?

Variable	Frequency	Percentage (%)
Yes	30	8
No	327	86
Undecided	25	6
Total	**382**	**100**

Source: Field Survey, 2016

8% of the respondent said, the manufacturing sector policy in Nigeria attracts Foreign Direct Investment, 86% said it does not, while 6% remained indecisive. From these responses, it could be deduced that, the manufacturing sector policy in Nigeria suffers a major setback of not attracting Foreign Direct Investment. Several factors account for these setback. Such setbacks include epileptic power supply, double taxation, inadequate technical knowhow, lack of access to raw materials, insecurity etc.

Table 4.7: How do you assess the available incentive this Democratic Government has put in place to attract foreign investment to Nigeria?

Variable	Frequency	Percentage (%)
Adequate	30	8
Inadequate	328	86
Undecided	24	6
Total	**382**	**100**

Source: Field Survey, 2016

On availability of incentives to attract FDI, 8% of respondent said there are adequate, 86% say these incentives are inadequate, while 6% of the respondents were indecisive. From these responses, it could be deduced that, the available incentives to attract foreign investment to Nigeria are inadequate. This means that, Import Substitution Strategy, Free Trade Zone Policy, Tax Holiday, Infrastructureetc. are inadequate in attracting FDI to Nigeria.

Table 4.8: Does Foreign Direct Investmentcreates Jobs in Nigeria?

Variable	Frequency	Percentage (%)
Yes	80	21
No	250	65
Undecided	52	14
TOTAL	**382**	**100**

Source: Field Survey, 2016

On job creation, 21% of the respondent said it is high, 50% said it is low, 24% said it is average, while 5% of the respondents were indecisive. From these responses, it could be deduced that, FDI has not performed well in Nigeria in terms of job creation.

From the responses on tables 4.5 and 4.8, it obvious that, since FDI is low in Nigeria, one does not expect it to create jobs.

Table 4.9: What do you think constitutes stumbling blocks in attracting Foreign Direct Investment into Nigeria?

Variable	Frequency	Percentage (%)
Poor Political leadership/policy summersaults	40	11
Inadequate Infrastructure	58	15
All of the above	284	74
None of the above	0	0
Total	**382**	**100**

Source: Field Survey, 2016

From the above table, 11% of respondents attributed the problem of FDI in Nigeria Poor Political leadership/policy summersaults, 15% attributed the problem to inadequate infrastructure, while 74% said all these factors constituted. It is evident from the above table that, poor political leadership, policy summersaults, inadequate infrastructure constitute stumbling blocks.

Table 4.10: Do you think there is a link between Foreign Direct Investment and Technology Transfer in Nigeria?

Variable	Frequency	Percentage (%)
Yes	28	7
No	335	88
Undecided	19	5
Total	**382**	**100**

Source: Field Survey, 2016

On the link between FDI and Technology transfer, 7% of respondents said there is link between FDI and Technology transfer in Nigeria, 88% said there is no link, while 5% were indecisive. From these responses, it is evident that, FDI in does not attract technology to Nigeria.

Table 4.11: Do you think Foreign Direct Investment increases dependency of the Nigerian economy on foreign investors?

Variable	Frequency	Percentage (%)
Yes	338	88
No	26	7
Undecided	18	5
Total	**382**	**100**

Source: Field Survey, 2016

From the above, 88% of the respondents answered in the affirmative, 7% said 'No', while the remaining 5% were indecisive. Based on this, it is obvious that the few FDI in Nigeria deepen the development of underdevelopment of the Nigerian economy thereby subjecting economic dependency. A good example is the issue of capital flights. Infant industries that cannot compete favourably well with FDI, go into economic extinction. This finding affirmed the position of dependency theory.

Table 4.12: How do you assess the level of Foreign Direct Investment in Nigerian Manufacturing sector?

Variable	Frequency	Percentage (%)
High	37	9

Low	228	60
Average	95	25
Undecided	22	6
Total	**382**	**100**

Source: Field Survey, 2016

On the assessment of FDI in the manufacturing sector, 9% of the respondent said it is high, 60% said it is low, 25% said it is average, while 6% of the respondents were indecisive. From these responses, it could be deduced that, the manufacturing sector has not fared well through FDI. This is largely responsible to the issues already highlighted on tables 4.6; 4.7 and 4.9.

From the responses on tables 4.5 and 4.8, it obvious that, since FDI is low in Nigeria, one does not expect it to create jobs.

4.2 DISCUSSION OF FINDINGS

Our findings include the following:

i. The manufacturing sector policy in Nigeria suffers a major setback of not attracting Foreign Direct Investment. Several factors account for these setbacks. Such setbacks include epileptic power supply, double taxation, inadequate technical knowhow, lack of access to raw materials, insurgencies and insecurity.

ii. The available incentives to attract foreign investment to Nigeria are inadequate. This means that, Import Substitution Strategy, Free Trade Zone Policy, Tax Holiday etc are inadequate in attracting FDI to Nigeria.

iii. FDI has not performed well in Nigeria in terms of job creation. It is evident from the above table that, poor political leadership, policy summersaults, inadequate infrastructure constitute stumbling blocks.

iv. FDI in Nigeria deepen the development of underdevelopment of the Nigerian economy thereby subjecting economic dependency. A good example is the issue of capital flights. Infant industries that cannot compete favourably well with FDI, go into economic extinction. This finding affirmed the position of dependency theory.

a. FINDINGS OF THE STUDY

4.1.1 Test of Hypotheses

This section deals with the testing of the hypotheses as stated in chapter one. The three pairs of hypotheses will be tested one after the other, using responses related to the hypotheses.

To test the first pair of hypothesis, responses in Tables 6 and 7 which relate to the statement of the hypothesis are used.

Hypothesis One

H_o: FDI declines negatively on the manufacturing sector in Nigeria.

H_1: FDI increases positively on the manufacturing sector in Nigeria

Table 6 and Table 7

Does the manufacturing sector policy in Nigeria attract FDI?	Frequency	Do you know about available incentives this democratic government has put in place to attract FDI?	Frequency
Yes	30	Yes	30
No	327	No	328
Undecided	25	Undecided	24
Total	**382**	**Total**	**382**

Contingency Table

Yes	30	30	60
No	327	328	655
Undecided	25	24	49
Total	**382**	**382**	**764**

$$\text{Expected Frequency} = \frac{RT \times CT}{GT}$$

$$Fe^1 = \frac{382 \times 60}{764} = 30$$

$$Fe^2 = \frac{382 \times 655}{764} = 327.5$$

$$Fe^3 = \frac{382 \times 49}{764} = 24.5$$

$Fe^4 = \frac{382 \times 60}{764} = 30$

$Fe^5 = \frac{382 \times 655}{764} = 327.5$

$Fe^6 = \frac{382 \times 49}{764} = 24.5$

764

Calculation of Chi- Square Table

Fo	**Fe**	**Fo – fe**	**$(Fo- fe)^2$**	**$(Fo- fe)^2$ / fe**
30	30	0	0	0
327	327.5	-0.5	0.25	0
25	24.5	0.5	0.25	0.01
30	30	0	0	0
328	327.5	0.5	0.25	0
24	24.5	0.5	0.25	0.01
				0.02

Since x_c^2 is 0.02, the x^2_t will be by finding the degree of freedom @ 5% level of significance will be:

(R – 1) (C – 1) = (3 – 1) (2 – 1) = (2) (1) = 2

Therefore, x^2_t = 5.991

Research result:

x_c^2 = 0.02, x^2_t = 5.991

Decision Rule

Data were presented and analyzed according to questionnaire and interviews conducted. The underlying idea that the observed frequencies should be close to the frequencies that would be expected. As a rule, if the x_c^2 is > x^2_t therefore we reject the null hypothesis and accept the alternative hypothesis and if x_c^2 is < x^2_t therefore we accept the null hypothesis and reject the alternative hypothesis.

Comment

Based on the decision rule which states that if $x_c^2 > x_t^2$ the alternative hypothesis be accepted. From the results above, our x^2_c = 0.02 is less than x^2_t = 5.991. Therefore, we accept the null hypothesis (H_o) and reject the alternative hypothesis (H_i). Therefore, FDI declines negatively on the manufacturing sector in Nigeria.

Hypothesis Two:

The hypothesis to be tested is:

H_o: The strategies for attracting FDI have negative impacts on the growth of the manufacturing sector in Nigeria.

H_1: The strategies for attracting FDI have positively impacted on the growth of the manufacturing sector in Nigeria

To test this hypothesis, Tables 10 and 11 were respond relates to the statement.

Table 10 and table 11

Do you think there is a link between FDI and Technology transfer to Nigeria?	Frequency	Does Foreign Direct Investment creates Jobs in Nigeria	Frequency
Yes	28	Yes	80
No	335	No	250
Undecided	19	Undecided	52
Total	**382**	**Total**	**382**

Contingency Table

Yes	28	80	108
No	335	250	585
Undecided	19	52	71
Total	**382**	**382**	**764**

Expected Frequency = $\frac{RT \times CT}{GT}$

$Fe^1 = \frac{382 \times 108}{764} = 54$

$Fe^2 = \frac{382 \times 585}{764} = 292.5$

$Fe^3 = \frac{382 \times 71}{764} = 35.5$

$Fe^4 = \frac{382 \times 108}{764} = 54$

$Fe^5 = \frac{382 \times 585}{764} = 292.5$

$Fe^6 = \frac{382 \times 71}{764} = 35.5$

Calculation of Chi – Square Table

Fo	**Fe**	**Fo- fe**	**$(Fo- fe)^2$**	**$(Fo- fe)^2$ / fe**
28	54	-26	676	12.5
335	292.5	42.5	1806.25	6.2
19	35.5	-16.5	272.25	7.7
80	54	26	676	12.5
250	292.5	-42.5	I806.25	6.2

52	35.5	16.5	272.25	7.7
				52.8

Since x_c^2 is 52.8, the x^2_t will be by finding the degree of freedom @ 5% level of significance will be:

(R – 1) (C – 1) = (3 – 1) (2 – 1) = (2) (1) = 2

Therefore, x^2_t = 5.991

Research result:

x_c^2 = 52, x^2_t = 5.991

Decision Rule

Data were presented and analysed according to questionnaire and interviews conducted. The under lying idea that observed frequencies should be close to the frequencies that would be expected. As a rule, if the x_c^2 is > x^2_t therefore we reject the null hypothesis and accept the alternative hypothesis and if x_c^2 is < x^2_t therefore we accept the null hypothesis and reject the alternative hypothesis.

Comment

Based on the decision rule which states that if $x_c^2 > x_t^2$ the alternative hypothesis be accepted. From the results above, our x^2_c = 52.8 is less than x^2_t

= 5.991. Therefore, we accept the null hypothesis (H_o) and reject the alternative hypothesis (H_i). Therefore, the strategies for attracting FDI have negative impacts on the growth of manufacturing sector in Nigeria.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary

The quest to balance the insufficient investment in the Nigerian economy, can be understood by the causes of low foreign direct investment identified in this research, the examined strategies put in place and to understand how to make capital available in the Nigeria manufacturing sector. The need for capital investment needs to be given priority because, without injection of capital investment into an economy, economic growth in such country will be undermined.

Various empirical based studies have been reviewed in this study regarding Foreign direct investment and the Manufacturing sector in Nigeria, however, this study has also conducted data-driven investigation to establish the link between FDI and manufacturing sector in Nigeria, lack of adequate infrastructure and policy has been identified as the problem therefore, the summary of major findings, conclusion, recommendation and discussion for further studies are reported in this chapter

There are lots of policy implication findings in this study, as shown in the study, the population of a nation is not the sole determinant of economic growth but the most important is the quality of the of infrastructure, human capital, policy and the security.

5.2 Conclusion

The study analysed the impact of foreign direct investment on Nigeria's economic growth over the period of 1999- 2013. The findings revealed that economic development is directly related to the inflow of foreign direct investment. This implies that growth in the economy is a positive signal for inflow of foreign direct investment. It can be concluded that foreign direct investment is an engine of economic growth. Therefore, there is need to have a stable political and economic environment and improve on the critical infrastructure, level of security at all levels in the country, systems of governance should be based on accountability, transparency, effective and efficient resource. Furthermore, government needs to liberalise the foreign sector in Nigeria so that all barriers to trade such as arbitrary tariffs; import and export duties and other levies should be reduced so as to encourage investors

5.3 Recommendations

The FDI in the manufacturing sector has a negative relationship with economic growth suggesting that the business climate is not healthy enough for the manufacturing sector to thrive and contribute to positive economic growth. The negative contribution of manufacturing is a reflection of Nigeria's poor business climate. There is need to consciously improve the business environment to enhance the performance of the manufacturing sector for foreign investor. In the light of this, and for the manufacturing sector to meet expectations and contribute significantly to economic growth and development, the following recommendations will be useful.

- **Adequate Infrastructure**: The need for adequate and efficient infrastructure and utility services provides a further case for the active implementation of the economic programme so that resources released can be expended on infrastructure, utilities and social services by government. Essentially, adequate provision of infrastructure is responsible for reducing cost of production and competitiveness of business enterprises. It will promote domestic investment and therefore attracts Foreign Direct Investment, sure way to improve the business environment in Nigeria is by conscious provision of necessary infrastructure such as Road, power and ease of doing business such as registration of business which will lower the costs of doing business in Nigeria.
- **Enabling and ensuring macro-economic stability and consist policies:** A good macro-economic record [including low inflation, relative stability in real exchange rate is particularly vital for FDI, because it is irreversible, this makes investors to be cautious about potential future instability. It is also important to have consistent and stable policies in order to engender confidence in economic agents and assure foreign investors that government policies are credible and predictable.
- **Enabling Environment**. An enabling environment will without any doubt create a friendlier environment for foreign investors. The unrest in the North East and South East need to be handle to restore peace, this will encourage foreigners to invest in Nigeria.

- **Ensuring and engendering political stability and promulgation and implementation of transparent rules and regulations guiding industrial and business operations**. The government should also ensure security of life and prosperity. Government should also enact, implement favourable and value economic and industrial policies that will foster industrial and economic development. This will enable the real sectors of the economy to grow and index of industrial production will expand.
- **Institutionalization of Good Governance:** Without good governance, no amount of aid and effort can guarantee Nigeria's success, but with good governance nothing can stop Nigeria. The act of political governance Nigerian must be washed and cleaned with new heart and new beliefs. Corrupt leaders cannot achieve sustainable economic growth in Nigeria, what is needed for sustainable growth is selfless leadership.
- **Privatisation**: The privatisation of NEPA to PHCN may be a step in the right direction if there is an improvement from GENCOS to DISCOS, most companies such as tyre producing companies move to Ghana because of the inadequate electricity supply. Fixing electricity problem in Nigeria will enable the manufacturing FDI to contribute significantly to economic growth.

- **Promoting non-oil export products:** it is very important to promote non-oil sector exportation, this will bring about reduction in the nation's

level of dependency on the dominance of crude oil or what can be described as "mono – cultural foreign trade product".

- **Local sourcing:** The drive for local sourcing of raw materials and inputs through agriculture should not only continue but must be intensified. A technological policy aimed at developing a local engineering industry is important. By doing so, the link between agriculture and manufacturing will be established. This would lead to expansion of export base which would attract more foreign exchange into the country. This could culminate into higher external reserve build-up and reduce adverse pressure on balance of payment.

Finally, there is need for guided training and integration of human resources of Nigerians to enable us contributes positively to economic growth wherever we find our self-employed either with foreign or indigenous firms.

Since the study discovered that most FDI build on the existing structure in the host country and are coming with the intension of capital exploitation and profit making in the host country, therefore a policy should be put in place that for Multinational Enterprises to operate in the country there should be a long term plan to allow for transfer of technology. This will stimulate development of local manufacturing companies in Nigeria.

References

Ayanwale, A.B. (2007): FDI and economic growth evidence from Nigeria AERC Research Paper 165, African economic research consortium, Nairobi.

Augustine O. Jacob, Heritage; Okon J.U, Augustine O.J, and Chukwu A.C . (2012). Foreign Direct Investment and Economic Growth in Nigeria: An Analysis of the Endogenous Effects. Current Research Journal of Economic Theory 4(3): 53-66, 2012

Contessi, S & Weinberger (2009). Foreign Direct Investment, Productivity, and Country Growth: An Overview, FRBSL Review (March/April 2009) 61-78. Feldstein, M.

(2000): Aspects of Global Economic Integration: Outlook for the Future.

Guluzar, K. G and Bener, G (2013) The relationship between foreign portfolio investment

and macroeconomic variables, European scientific journal, December 2013. 9(34)

Inimole B &Enoma A (2011) Exchange rate depreciation and inflation in Nigeria (1986

– 2008), Business and Economics Journal. Jhingan, M. L (2005) Macroeconomic theory, New Delhi, India.

Aremu J.A. (2005) Attracting and Negotiating Foreign Direct Investment with transnational Corporations in Nigeria. Publishers Market Link Communication.

Obasan K. & Adediran O. A. (2010): The Role of Industrial Sector in the Economic Obida

Development of Nigeria. *Journal of Management and Society,* 1(2), (09-16), December Edition.

Gobna Wafureand Abu, Nurudeen (2010). Determinants of Foreign Direct Investment in

Nigeria: An Empirical Analysis. Global Journal of Human Social Science

Olufayo O.O. (2005). *Perspectives on Globalization and Africa Development.* Bolabaye Publications, Lagos.

Raman, J. V & Mayureh, G (2012) Empirical analysis of the causal relationship between nominal exchange rate and foreign direct investment in India using VAR, global journal of management and business research. 12(22) 1.0

Steven Globerman and Daniel Shapiro (2003). Governance infrastructure and US foreign direct investment. *Palgrave Macmillan Journals of International Business Studies. (*Retrieved on Sat, 19 Apr 2014 06:24:12 AM)

Theoretical Models and Empirical Evidence, the Australian Journal of Agricultural and Resource Economics 52: 505-525.

Adeolu, B.A. (2007). Foreign Direct Investment and Economic Growth: Evidence from Nigeria. Department of Agricultural Economics, Obafemi Awolowo University, Ile-Ife,

Nigeria. AERC Research Paper 165, African Economic Research Consortium, Nairobi.

Adenikinju, A and Chete, L. (2002). Productivity, Market Structure and Trade Liberalization in Nigeria. Economic Development Department, Nigerian Institute of Social and Economic Research (AERC). Research paper 126; African Economic Research Consortium: Nairobi, 2002 Nov.

Akinlo, E A. (2006). Improving the Performance of the Nigerian Manufacturing Sub-Sector After Adjustment. The Nigerian Journal of Economic and Social Studies, p9. Aseidu, E. (2005). Foreign Direct Investment in Africa: The Role of Natural Resources, Market, Government Policy, Institutions and Instability. United Nations University,

World Institute for Development Economic Research. Research paper No. 2005/24, 1- 15.

Dipak, M, and Ata, M. (2003). The African Manufacturing Firm, an Analysis Based on

Firm Studies in Sub-Saharan Africa. Port Harcourt: Taylor and Francis Ltd

Opaluwa .D, Ameh, A.A. & J.C. Umeh (2010). The Effect of Exchange Rate Fluctuations on the Nigerian Manufacturing Sector. African Journal of Business Management, 4(14), 2994 – 2998. Maxwell Publications. www.academic journals.org

Ekpo, A .H. (2003). Foreign Direct Investment in Nigeria: Evidence from Time Series Data. CBN Economic & Financial Review, 35(1), 59- 78. Abuja.

Uremadu, S.O (2008). „The Impact of Foreign Private Investment (FPI) on Capital

Formation

In Nigeria, 1980-2004: An Empirical Analysis, Lex Et Scientia*Journal Nr, 2 (166-182)*

Appendix 'A'

Department of Political Science,
Faculty of Social Sciences,
School of Postgraduate Studies,
Nasarawa State University, Keffi.

December 09, 2016

Dear Sir\ Madam,

QUESTIONNAIRE

I am a postgraduate student of the Department of Political Science (***MSc Political Economy and Development Studies***), Nasarawa State University, Keffi.

I am carrying out a research on: "***Foreign Direct Investment and Manufacturing Sector in Nigeria***". I wish to solicit your responses to enable me successfully carry out this research work.

Your responses shall be used for this research purpose only and treated with utmost confidentiality.

Thank you.

Aliyu, Ozovehe Ilias
NSU/SS/MSc/PEDS/005/14/15
08052205072

INSTRUCTION: Please tick (√) where application and provide other information to the best of your knowledge.

SECTION A

IDENTIFICATION

Ministry _____

Department _____

BIO-DATA

1. Sex (a) Male ( ) (b) Female ( )

2. Age (a) 20 – 30 ( ) (b) 31 – 40 ( ) (c) 41 – 50 ( )
   (d) Above 50 ( )

3. How long have you been working in your organization?

   (a) 1 – 5 years (b) 6 – 10 years (c) 11 – 15 years (d) 16 years and above

SECTION B

1. Do you know about Foreign Direct Investment (FDI)?

   (a) Yes ( ) (b) No ( ) (c) Undecided ( )

2. What is your assessment of Foreign Direct Investment into Nigeria?

   (a) High ( ) (b) Low ( ) (c) Average ( )

   (d) Undecided ( )

3. Does the Manufacturing sector policy in Nigeria attract Foreign Direct Investment?

(a) Yes ( ) (b) No ( ) (c) Undecided ( )

4. How do you assess the available incentive this Democratic Government has put in place to attract foreign investment to Nigeria?

(a) Adequate ( ) (b) Inadequate ( ) (c) Undecided ( )

5. How do you assess Foreign Direct Investment in Nigeria in terms of Job Creation? (a) High ( ) (b) Low ( ) (c) Average ( )

(d) Undecided ( )

6. What do you think constitute stumbling blocks in attracting Foreign Direct Investment into Nigeria?

(a) Poor Political leadership/policy summersaults ( )

(b) Mismanagement/corruption ( )

(c) All of the above ( )

(d) None of the above ( )

7. Do you think there is a link between Foreign Direct Investment and Technology Transfer to Nigeria?

(a) Yes ( ) (b) No ( ) (c) Undecided ( )

8. Do you think Foreign Direct Investment increases dependency of the Nigerian economy on foreign investors?

(a) Yes ( ) (b) No ( ) (c) Undecided ( )

9. How do you assess the level of Foreign Direct Investment in Nigerian Manufacturing sector?

(a) High ( ) (b) Low ( ) (c) Average ( )

(d) Undecided ( )

SECTION C

10. In your own words, what do you suggest as ways of attracting more Foreign Direct Investment to Nigeria?

i).....

ii).....

iii).....

iv).....

v).....

11. Identify the short-run and long-run solution for FDI in manufacturing sectorin Nigeria.

i).....

ii).....

iii).....

iv).....

v).....

14. What are the economic growth that can be realized with more foreign direct investment in manufacturing sector?

i)……..……

ii)……..……..……

iii)……

iv)……..……..……