

**EFFECT OF GOVERNMENT TRADE POLICIES ON FOREIGN DIRECT
INVESTMENT IN THE OIL AND GAS SECTOR IN NIGERIA**

BY

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**BEING A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE
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AUGUST, 2019

DECLARATION

I declare that this Thesis has been written by me and it is a report of my research work. It has not been presented in any previous application for state diploma or degree. All quotations are indicated and sources of information specifically acknowledged by means of references.

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CERTIFICATION

The Thesis titled: “Effect of Government Trade Policies on Foreign Direct Investment in the Oil and Gas Sector in Nigeria” meets the regulations governing the award of Doctor of Philosophy (Ph.D) Degree in Business Administration, of the School of Postgraduate Studies, Nasarawa State University, Keffi and is approved for its contribution to knowledge and literally presentation.

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This Thesis is dedicated to Almighty God, the giver of my life and the one who gave me strength, ability, skills, knowledge and wisdom to undertake this study and successfully complete the PhD programme.

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ABSTRACT

Government trade policies (tax policy, balance of payment and trade openness) affect foreign direct investment in developing countries especially Africa, irrespective of their level of development, geographical location or industrial structure. Yet, it is uncertain whether government trade policies affect foreign direct investment in Oil and Gas in Nigeria or foreign direct investment in Oil and Gas affect government trade policies in Nigeria. The study examined the effect of government trade policies on foreign direct investment on the oil and gas sector in Nigeria. The study used ex-post facto research design and the population is made up of 5 oil and gas foreign investors in Nigeria. The sample size is the 5 oil and gas foreign investors. The study relied on reports from Central Bank of Nigeria for secondary data. The study employed various procedures in analysing the data such as correlation matrix, unit root test, co-integration and vector error correction model. The study revealed that there is a long run relationship between government trade policies and foreign direct investment (FDI) in Oil and Gas in Nigeria. The study also found that causality runs from government trade policies to Foreign Direct Investment in Oil and Gas which implies that government trade policies causes increase in the inflow of FDI in Oil and Gas sector. This implies that trade openness policy, balance of payment (expenditure reducing policy and expenditure switching policy) and tax policy (tax rate) influence foreign direct investment in Oil and Gas sector in Nigeria. The study suggested import substitution strategy, export promotion, National Economic Empowerment and Development Strategy (NEEDs Era) and structural adjustment programme (SAP), expenditure reducing policy and expenditure switching policy should be continually and appropriately applied with corresponding policies such as trade openness, tax rate and balance of payment to attract multinational corporations in Oil and Gas Sector in Nigeria. Federal Government of Nigeria should consider the establishments of agency on trade consistency of agreements to monitor the activities of foreign direct investors in Oil and Gas sector in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Government trade policies affect Foreign Direct Investment have become standard in many developing countries especially Africa, irrespective of their level of development, geographical location or industrial structure(Mohammed & Abdulmajid, 2018). The activities of foreign direct investment in Nigeria have been in existence for so many years but they were not in operation until late 19th century when United States companies such as General Electric, International Telephone and Telegraph, and the Singer Sewing Machine Companies started to invest in overseas manufacturing companies (Mohammed & Abdulmajid, 2018). This was also the case with West European companies like Imperial Chemical, Nestle, Siemens and Unilever. Stoner and Freeman (1989) for instance, mentioned that Unilever Purchased Mac Lever, a Liverpool trading company in Nigeria and from there started to spread its tentacles in Africa. Nevertheless, in the 19th century, foreign direct investment were not at all uncommon.

Trade policies were less restrictive in early 70's and became more restrictive from 1976 with the introduction of restrictions on selected products. The Nigerian Government adopted Structural Adjustment Programme (SAP) in June, 1986 to prevent an economic crisis in the wake of dropping oil prices. The adoption of SAP led to the emergence of trade liberalization in Nigeria which was accompanied by elimination of import license, removal of foreign exchange and price control to allow Oil and Gas foreign direct investment in Nigeria (World Bank, 2013).

These Policies of Government are competing fiercely with foreign direct investment with the expectation of the advantages they bring to the economy. Foreign direct investment are

considered as important source of technology transfer as they provide means through which local firms can increase their productivity and export potential. Government often expects positive impact on the society from the achievement of economic development objectives. Foreign direct investors entry to a particular foreign market (market seeking foreign direct investment); exploitation of natural resources, e.g. minerals, agricultural products, low cost, unskilled labour (resource seeking foreign direct investment); a more efficient division between labour and production (efficiency, seeking foreign direct investment); and/or access to foreign technologies or other valuable strategic assets (strategic asset seeking foreign direct investment) (Dunning, 1993).

With Government trade policies, foreign direct investment has grown by 13% per annum in the last two decades - twice the rate of growth of world trade and large corporations now rival nation states in terms of influence. In 1993, 86 of the 150 largest economic entities in the world were corporations and 64 were countries. The vast majority of Foreign direct investments originated from the United States, Japan, and the EU (United Nations Conference on Trade and Development, 2012) These countries are also the main hosts of FDI, although the share of less developed countries in FDI has doubled in the early 1990's to 39%. Majority of this new investment flowed to China and the 'tiger' economies of the South-east Asia (Shane, 2015).

Similarly, Shane (2015) also believes that many people have quite strong opinions about foreign direct investment companies and international institutions such as the World Bank, International monetary fund (IMF), and World Trade Organization (WTO) tend to see FDI as champions of free trade and mechanisms by which national economies would be forced to open up. Others, however, have expressed reservations about whether the benefits of FDI are as great as its proponents claim, or whether they even exist in the first place which Government makes trade

policies to affect them (trade openness, balance of payment and tax policy) (Ahiakpor, 1990; Dunning, 1993; Buckley & Clegg, 1994).

More so, Nigeria entered into bilateral double taxation agreements (henceforth referred to as Double Taxation Treaties (DTTs) with several countries under the Organization for Economic Co-operation and Development (OECD)-including Italy (1976), Belgium (1989), Czech Republic (1991), Slovak Republic (1991), Canada (1992), France (1991), Netherlands (1991), Pakistan (1989), Philippines (1997), Romania (1992), South Africa (2008), United Kingdom (1987), China (2005), Mauritius (2012) and most recently, with United Arab Emirates in 2016. Among the major purports of entering into double taxation agreements is to attract more foreign direct investments (FDI) (Egger, Larch, Pfaffermayr & Winner, 2006). Negotiating and concluding DTTs have implicational costs on developing countries that have to succumb to restrictions on their ability to tax corporate income (tax rate) from foreign investors.

It is believed that higher degree of trade openness ensures better flow of foreign direct investment from developed countries to their developing counterpart. It is equally evident that the latter (especially the ECOWAS Members) have not fully aligned their economies to allow the investment to stimulate satisfactory growth (Igudia, 2004).

The balance of payment policy of Government may also affect or attract foreign direct investment in any developed or developing countries of the world. The capital account and current account realized through effective policy of balance of payment may attract foreign direct investment inflows in any country ((Mohammed & Abdulmajid, 2018).

However, the study is motivated by the researcher to examine whether Government Trade Policies affect foreign direct investment in Nigeria or foreign direct affect Government Trade Policies in Nigeria.

1.2 Statement of the Problem

Government in Nigeria engaged in a trade policies to influence foreign direct thereby changing their policies, such as tax policy (tax rate), balance of payment policy (expenditure reducing and expenditure switching) and trade openness policy (import substitution, export promotion and gross domestic product) in Nigeria. Also, foreign direct investors have invested (equity capital, reinvestment earning and intra company loans) in Nigeria by influencing the production, employment, income, prices, exports, imports, balance of payments and general welfare of Nigeria, Government have also issued out trade policies (trade openness, tax policy and balance of payment) that foreign direct investors obeyed in carrying out their business in oil and gas. Yet, it is uncertain whether Government Trade Policies affect foreign direct investment in Nigeria or foreign direct investment affect Government Trade Policies in Nigeria.

From the extant literature, (Jayachandran & Seilan, 2010; Panagiotis & Konstantinos, 2011; Kiran, 2011; Atif, Nabila, Mahnazi & Rooma, 2012; Sharma & Kau, 2013; Wadad, 2013; Bhatt, 2013 Baghebo & Koginam, 2015; Ali, 2015 and Mohammad, 2016). It is clear that majority were conducted on Government Trade Policies and foreign direct investment, tax policy and foreign direct investment, balance of payment, trade openness and foreign direct investment from Asia, Africa, North America, South America, Antarctica, Europe and Australia but none of these studies used Oil and Gas Sector to address the problem. Mohammad (2016) used vector error correlation model in India and Atif, Nabila, Mahnaz and Rooma (2012) used the same in Pakistan to study the variables. None of these studies used a combination of the effect of

Government Trade Policies variables (trade openness, balance of payment and tax policy) on foreign direct investment. It is also realized that none of the mentioned studies used a period that covered 48 years and included 2017 in their studies. Therefore, the study used oil and Gas sector to address the weakness that the previous studies that did not use Oil and Gas sector in Nigeria that cover period of 48 years.

1.3 Research Questions

The following were considered as research questions

1. What is the causal effect between trade openness and foreign direct investment in Oil and Gas sector in Nigeria?
2. What is the causal effect between balance of payment and foreign direct investment in Oil and Gas sector in Nigeria?
3. What is the causal effect between tax policy and foreign direct investment in Oil and Gas sector in Nigeria?

1.4 Objectives of the study

The main objective of this study is to examine the effect of Government Trade Policies on foreign direct investment in Oil and Gas sector in Nigeria. The specific objectives were to:

1. determine the causal effect between trade openness and foreign direct investment in Oil and Gas sector in Nigeria
2. examine the causal effect between balance of payment and foreign direct investment in Oil and Gas sector in Nigeria
3. evaluate the causal effect between tax policy and foreign direct investment in Oil and Gas sector in Nigeria

1.5 Statement of Hypotheses

The following null hypotheses are formulated:

H₀₁: Trade openness has no causal effect with foreign direct investment in Oil and Gas sector in Nigeria

H₀₂: Balance of payment has no causal effect with foreign direct investment in Oil and Gas sector in Nigeria.

H₀₃: Tax policy has no causal effect with foreign direct investment in Oil and Gas sector in Nigeria.

1.6 Significance of the Study

The significance of this study is that Government of Nigeria would understand the benefits from engaging in the activities of foreign direct investment in the Oil and Gas Sector such as creating capital flows in Nigeria. The government of Nigeria would realize that foreign direct investors comes with investment into the country that can assist in developing the country and such investment are equity capital, reinvest earnings and intra-company loans. Government of Nigeria would also understand that foreign direct investors (oil and gas) set up companies in countries with the lowest tax rate and generate profit through the countries with lowest corporation tax rates.

Furthermore, foreign direct investors in Oil and Gas Sector would understand that they need to be compliant with Government Trade Policies (import substitution, export promotion) and contributing to country balance of payment which their activities would reflect on capital and current account of the country.

The study would be of benefit to Nigerian National Petroleum Corporations, because it would be a guide in developing further policies regarding the registration of foreign direct investments in the sector and use the existing policies to checkmate the compliance of the existing Oil and Gas investors in Nigeria. Academia and students that wish to carry out research in this area would find this study useful because it would assist them in adding to or subtracting from the model proposed by the researcher in this study. Also, it would help them to discover a research gap in concept, theories, models and methods in order to further fill Academic gap in the near future. By and large, the research would serve as future reference material for postgraduate students who wish to carry out further research on a related research topic.

1.7 Scope of the Study

The study is restricted to effect of Government Trade Policies on foreign direct investment: evidence from Oil and Gas Sector in Nigeria covering the period of 1970-2017 (48years). The reason for choosing this period is that, it is within the period when Nigerian Oil and Gas Industry was discovered in 1956 by the Shell Group and the sector was largely dominated by Multinational Corporations until the early 1990s when Nigerian companies began to make a foray into the industry. The period is also chosen because of indigenization policy which started in 1972 with “the Nigerian Enterprises Promotion Decree” (NEPD) and the decree imposed several restrictions on FDI entry. The period is also chosen because government of Nigeria reduced the tax rate from 45% to 40% (from 1987 –1991), while between 1992 -1995, the rate was reduced to 35%, it was finally reduced to 30% from 1996 to date, to stimulate investment.

It also includes foreign direct investment (equity capital, reinvest earnings and intra-company loans), balance of payment (expenditure reducing and expenditure switching), trade openness (import substitution, export promotion and gross domestic product) and tax policy (tax rate).

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Government Trade Policies

Trade Policies refers to the regulations and agreements that control imports and exports to foreign countries(Raph, 2010). Trade policies define standards, goals, rules and regulations that pertain to trade relations between countries (Thelas, 2013). These policies are specific to each country and are formulated by its public officials. However, a country's trade policy includes taxes imposed on import and export, inspection regulations, and tariffs and quotas. Trade policies also seeks (through gradual liberalization of the trade regime) to create an environment that is conducive to increased capital inflows, and to transfers and adoption of appropriate technologies (Word Trade Organization, 2005). Herbaler (2009) define commercial or trade policies as all measures regulating the external economic relations of a country, which is measures taken by a territorial government which has the power of assisting or hindering the exports or imports of goods and services.

Commercial policies or trade policies describes any form of government intervention towards international trade (Peter, 2001). Jhingan (2004) government trade policies refer to the instrument by which government use to regulate trade or modify the economic affairs of the country in order to achieve macroeconomic objectives. Andabai (2010) states that, government trade policy also used to assess the behaviour of the trade as a whole and to seek ways to which its aggregate trade performance different sectors of the economy for an improvement. Pack (2000) government trade policies are actions designed to target specific trade sectors to increase

their productivity, and observe or keep basic regulatory demand of the country in which they are operated and function. Government trade policies are guide to government intervention on trade operation or company performance to promote certain sectors with the aim of encouraging them to gain a country comparative advantage and develop its latent comparative advantage (Chang, 2002; Lin & Chang, 2009). Government trade policies influenced both domestic and foreign investment and are important for any development strategy (Organisation for Economic Co-operation and Development: OECD, 2005).

The study conceptualized Government Trade Policies to means instrument such as Trade Openness, Tax Policy and Balance of Payment which the government employed to generate revenue, guide the domestic firms from declining, monitoring the activities of foreign firms by observing and recording all transaction by them and also ensure that foreign firms brought their capital inflow in to the country in to transact freely.

2.1.1.1 Trade Openness

Dollar and Kraay (2001) define Trade Openness as trade volumes which is exports plus imports as a share of GDP and this to them is a measure of trade openness. Kandiero and Wadhawan (2003) use the terms ‘openness’ and ‘liberalisation’ interchangeably in the context of trade. Openness to trade is defined as imports plus exports divide by Gross Domestic Product for the whole economy and separately for three sectors (primary, manufacturing and services) (Tonia & Margaret, 2006).

Baldwin (2000) asserts that Trade Openness measures the international competitiveness of a country in the global market. To him, it is use as addition of imports and exports over GDP. Trade Openness is the outward and inward orientation in country’s economy (Karen, 2011). He

also notes that outward orientation is an economy that ensure significant advantage of the opportunities to trade with other countries of the world and inward orientation is an economies that overlook taking or are unable to take advantage of the opportunities to trade with other countries of the world.

Marilyne, Agrocampus and Inra (2001) believe that trade openness is a complex notion, covering not only the trade policy orientation of countries but also a set of other domestic policies (such as macroeconomic policies or institutional ones) which altogether make the country more or less outward oriented. He also noted that trade policy orientation definition, have noted by some authors which they retained measures based on trade restrictions/distortions, such as average tariff rates¹, average coverage of quantitative barriers, and frequency of non-tariff barriers or collected tariff ratios.

Grabowski and Shields (1996) see openness to trade as very crucial to any economy because of differences in technology; proportion of potentially mobile resources (capital and labour) and availability of specific, non-mobile factors (land and other natural resources). The degree of a nation's openness to trade is believed to rub off on the nation via economies of scale, externalities associated with information and knowledge transmission as well as spillover effects that trickle to productive knacks of such an economy. And in the long run, it is believed to make the nation perform better economically. In other word, Trade Openness can be described as the increasing integration of economic activities of the human societies around the globe. It could also connotes the process of denationalization of dusters of economic, political and social activities that allows the flow of capital across national boundaries (Igudia, 2004). Thus, it involves the growing economic interdependence of countries worldwide through the increasing volume and varieties of cross-border transactions; international capital flows; as well as rapid

and widespread technological change. Technological spread had transformed the world to a global village that can be crisscrossed in a matter of seconds via the intensification of economic, political, social and cultural relations across national borders (Igudia, 2004; Alege & Ogun, 2005). It is also driven by the search for cheaper labour, raw materials and less Government regulation.

Akinlo (2003) defines it as a multi-dimensional concept that affects not only the economic, social, cultural and environmental facets of life but also the relations among Government and nations of the world. Therefore, the process of Trade Openness integrates national economies via trade, capital flows, and harmonization of economic policies amongst nations and formation of global market frameworks. It also involves the process that promotes the integration of a whole system of interdependence among sovereign states by reducing barriers to trade, capital flow, and technology transfer, among others. Trade openness is the principles of the world economy where nations link together to the extent that they have free trade, free movement of capital and financial activities (Igudia, 2004).

Trade Openness is the breakdown of barriers and the increasing integration of the World Market (Fafowora, 2000). Derossa, (2000) asserts that Trade Openness is a process of increasing international integration of international market for goods, tradable service and financial assets. To him, it is increasing integration of markets for major inputs to production, not only mobile physical capital but also labour in its various forms: basic labour, skilled labour and other professional services.

Trade Openness is the removal of quotas, restrictions, import duties and some administrative constraints on goods and services in international trade. Bhagwati (1978) sees Trade Openness as

a policy leading to the eventual break away from a quota restrictive regime to an economy with a free flow of goods and services devoid of any obstruction to trade. Jessop (2002) defines Trade Openness as an end product of neoliberalists who have consistently called for deregulation of economic activities. He further states that any Trade Openness policy enables both capital and financial flows to the given economy through various unrestrictive measures such as removal of trade barriers.

Economic theory traditionally considers Trade Openness as the reduction or complete removal of existing trade restrictions and economists typically endorse it as allowing for efficiency (Elana, 2005). Trade Openness entails the removal of controls on trade. Bakare (2011) defines Trade Openness as the removal of obstacles to free trade (obstacles such as quotas, nominal and effective rates protection and exchange controls). Trade liberalization involves the elimination of non-tariff barriers to imports, the rationalization and reduction of tariffs, the institution of market determined exchange rate and removal of fiscal disincentives and regulatory deterrents to exports. The motive is to create competitive atmosphere between local and foreign industries (Bakare, 2011).

Trade Openness is conceptualized as the free market economy where Government allowed little or no restriction and ensured such policies as import substitution, export promotion and checkmate the gross domestic product as a percentage of these policies. Trade openness encompasses some policies which are highlighted below:

2.1.1.1 Import Substitution

Import Substitution refers to domestic production of manufactured goods for domestic markets. It involves processing of raw materials and setting up of manufacturing factories to produce locally certain manufactured goods which were originally imported by a country thereby saving the country from importation of such commodities into the local markets. To get the home industries started and make them survive, it requires the imposition of protective tariffs, import quotas and exchange controls to protect the home industries from foreign competitors by making the entry of foreign goods expensive (Udo, 2014).

The indigenization policy started in 1972 with “the Nigerian Enterprises Promotion Decree” (NEPD). The decree imposed several restrictions on FDI entry. As a result, some 22 business activities were exclusively reserved for Nigerians, including advertising, gaming, electronics manufacturing, basic manufacturing, road transport, bus and taxi services, the media and retailing and personal services. Foreign investment was permitted up to 60 per cent ownership and provided that the proposed enterprise had, based on 1972 data, share capital of N200,000 (\$300,000) or turnover of N500,000 (\$760,000).

Udah (2010) notes that import substitution industrialization policy was the first industrial strategy embarked upon by the Nigerian Government immediately after attaining independence. The objectives of this policy among others include to lessen overdependence on foreign trade and to save foreign exchange by producing those items that were formerly imported like detergents, household appliances, to mention but a few. In 1972, the Nigerian indigenization policy was adopted following the perceived failure of the import substitution industrialization strategy. The major objective of this policy was to strengthen the ownership and control of the

Nigeria economy by Nigerians. In 1972, the Act that resulted in the indigenization policy was amended and eventually replaced with the Nigerian Enterprise Promotion Act in 1977. The 1972 Act contained 11 schedules while the 1977 Act contained 111 schedules.

The second indigenization decree, the Nigerian Enterprises Promotion Decree of 1977, tightened restrictions on FDI entry in three ways: (a) by expanding the list of activities exclusively reserved to Nigerian investors (e.g. bus services, travel agencies, the wholesaling of home products, film distribution, newspapers, radio and television and hairdressing); (b) by lowering permitted foreign participation in the FDI -restricted activities from 60 to 40 per cent and adding new activities restricted to 40 per cent foreign ownership such as fish-trawling and processing, plastic and chemicals manufacturing, banking and insurance; and (c) by creating a second list of activities where permitted foreign investment was reduced from 100 to 60 per cent ownership, including manufacturing of drugs, some metals, glass, hotels and oil services companies. Relaxation of these restrictions began in 1989. The NEPD was amended so as to leave a single group of 40 business activities in which foreign participation was completely prohibited unless the value of the enterprise exceeded N20 million (\$2.7 million in 1989). In addition, foreign investors could hold only a share of up to 40 per cent in insurance, banking, oil production and mining.

Therefore, in 1995, the Nigerian Investment Promotion Commission Act opened all sectors to foreign participation except for a short negative list (including drugs and arms) and allowed for 100 per cent foreign ownership in all sectors, with the exception of the petroleum sector (where FDI is limited to joint ventures or production sharing). In contrast to previous development plans, National Economic Empowerment and Development Strategy (NEEDS) made FDI

attraction an explicit goal for the Government and paid particular attention to drawing investment from wealthy Nigerians abroad and from Africans in the Diaspora. In this context, both President Jonathan and his predecessor President Yar'Adua have consistently expressed commitment to removing barriers to FDI in non-oil sectors.

Import substitution strategy also known as inward looking strategy of industrialisation was adopted in 1960–1985. The history of import substitution strategy could be traced to Latin America between the period of 1927 and 1933 when the inflow of imports was disrupted by the Second World War and international economic depression with the objective of increased reliance on local manufactured goods. Import substitution industrialisation was resurrected in 2013 by the present president Jonathan Goodluck administration in the automobile industry. Under the new policy 70 percent tariff was levied on imported used cars and new cars (The Guardian 19 November 2014). The policy is designed to replace imported vehicles with locally produced ones and is expected to create job opportunities. This strategy sees the survival of the domestic industries as essential. Thus, it supports the imposition of protective tariffs, import quotas and exchange controls to protect the local industries from foreign competitors by making the entry of their goods expensive (Nnaemeka, 2015).

2.1.1.1 Export Promotion

Export promotion otherwise described as outward oriented industrialization, involves domestic production of manufactured goods for export and it is Governments deliberate efforts to expand the volume of a country's exports through export incentives and other means in order to generate more foreign exchange and improve the current account of the balance of payment (Torado & Smith, 2003; Obioma & Ozughalu, 2005).

Exports promotion trade policy and intensification of local raw materials utilization for industrial production began in 1981. Balance of payments however worsened with increase in importation and collapse in world oil prices. This led to the Economic Stabilization (Temporary Provisions) Act in April 1982, where tariffs on 49 items were raised, prohibition imposed on gaming machines and frozen poultry. 29 commodities have general import license removed and replaced with specific license using pre-shipment inspection. 1983-1985 witnessed 152 items introduced under specific import license, and stringent foreign exchange regulations. This was to meet the trade policy objective of protecting domestic industries and reducing dependence on imports. This was expected to reduce unemployment level and generate revenues. Raw materials and intermediate capital goods tariffs were scaled down (BigBen, 2008).

The creation of Nigerian Export Promotion Council (NEPC) in 1976 (with amendment in 1992) represented a veritable milestone in the history of Export marketing development in Nigeria. The creation was timely and significant in three respects: Export promotion policies reflect the interest of national Governments to stimulate exports. Subsidies, tax exemptions/rebates, and special credit lines are the main instruments used to promote exports (BigBen, 2008). Export promotion is sometimes seen as a complementary development strategy to import protection (BigBen, 2008).

According to Robert and Thirlwall (1975) state that higher levels of exports lead to strengthening productivity, lowering unit costs and positively impact exports. Olorunishola (1991) described export promotion as a stimulus to efficiency exporting countries export exposed to foreign competition and technology and there is prospect of worldwide market for products thereby resulting in economies of scale.

Export promotion is also likely to alleviate serious foreign exchange constraints and thereby provides greater access to international market (Esfahani, 1991). In export promotion strategy, external demand is the source of activity. Export promotion focuses on potential industries for developing competing with foreign countries. The main point of the export promotion strategy is to make production for international trade and increase export. The advantage of export-led growth would be to provide developing countries a remedy to unemployment problem. Developing countries are most likely to have a comparative advantage such as labour intensive manufactures which encourage industries in developing countries to hire more people (labour) in the production of labour intensive product (e.g shoes, clothes etc). In addition the export market also allows domestic producers to utilize economies of scale. There is also a low level of trade restrictions that forces the domestic firms to remain competitive so as to increase efficiency, export promotion increases productivity by offering greater economic of scale (Halpman & Krugman, 1991).

Export led growth is also beneficial to a country with balance of payment problem, in that export led growth can create profit allowing a country to balance their finance as well as surpass their debt as long as the facilities for the export exist. Secondly, increased export growth can trigger over productivity, thus, creating more exports in an upward spiral cycle. Countries with unemployment and balance of payment deficits look to export-led growth because of the possibility of moving the balance of payment equilibrium and full employment. Export growth leads to job growth and economic growth (Halpman & Krugman, 1991).

The urgent need to generate more foreign exchange particularly from non oil sources to meet the country's rising import bills, mounting external debt obligations, rising fiscal responsibilities of the government, and to attend to socio economic responsibilities resulted in the introduction of

Structural Adjustment Programme (SAP) in Nigeria in July, 1986, and eventually a shift in Nigeria's industrial policy thrust from Import Substitution Industrialization (ISI) approach to Export Promotion Industrialization (henceforth EPI). According to Bamidele (2005) and Banjoko et al (2012), SAP was meant to reverse the downward trends in the economy, widen industrial base, provides stimuli for increased exports and incentives for the manufacturing sector to enlarge its value - added and contribution to GDP.

Export Promotion Industrialization (EPI) strategy, otherwise described as Outward Oriented Industrialization, involves domestic production of manufactured goods for export. It is government's deliberate efforts to expand the volume of a country's exports through export incentives and other means in order to generate more foreign exchange and improve the current account of the balance of payment (Torado & Smith, 2003; Obioma & Ozughalu, 2005). Pioneered by the Newly Industrialized Countries (NICs) in South East Asia like South Korea, Taiwan, Singapore and Hong-Kong, the success of the NICs process of industrialization, specializing in the production and export of light consumer goods spurred many countries, Nigeria inclusive, to adopt it. Export promotion strategy is a trade strategy, which encourages production for exports and in which there is no bias of incentives towards production of import-substitutes (Obadan, 1994).

2.1.1.1 Gross Domestic Product

AccQaiser, Salman, Ali, Hafiz and Muhammad (2011) assert that Gross Domestic Product is the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of growth and standard of living for a country. According to Isaac (2015), Gross Domestic Product (GDP) measures the value of a country's overall goods and

services at market prices, without including income from abroad. GDP is the market value of goods and services produced within a selected geographic area (usually a country) in a selected interval in time (often a year).

Penny, Pritzker, Ken and Brian (2015) note that Gross Domestic Product is the total value of goods and services produced within the borders of a country, regardless of who owns the assets or the nationality of the labour used in producing that output. Gross Domestic Product reflects production in a given time period, regardless of whether that production is used for consumption, for investment in new fixed assets or inventories, or for replacing depreciated fixed assets. Gross Domestic Product measures the monetary value of final goods and services, that is, those that are bought by the final user—produced in a country in a given period of time (say a quarter or a year) and it counts all the output generated within the borders of a country. The term gross domestic product is composed of goods and services produced for sale in the market and also include some nonmarket production, such as defense or education services provided by the Government. It is an estimated value of the total worth of a country's production and services, within its boundary, by its nationals and foreigners, calculated over the course on one year. However, gross domestic product is calculated as follows: $GDP = \text{Consumption} + \text{Investment} + (\text{Government Spending}) + (\text{Exports} - \text{Imports})$.

Consumption is the process in which the substance of a thing is completely destroyed, used up, or incorporated or transformed into something else (Raphael, 2007). To him, consumption of goods and services is the amount of them used in a particular time period. Also, consumption in economics is the use of goods and services by households (Wisdom, 2009).

Investment is defined as the commitment of current financial resources in order to achieve higher gains in the future (Fiselo, 2006). The values of investment or saving, as well as consumption, can be determined at the macroeconomic level, or at the individual level, through different statistical methods (Fiselo, 2006). Investment is an activity that is engaged in by people who have savings i.e investments are made from savings , or in other words people invest their savings but all savings are not investment. Investment may be defined as a commitment of funds made in the expectations of some positive rate of return, expectation of returns is an essential element of an investment (Patience, 2009).

Government spending can be defined as any expenditure made by local, regional, and national governments making up a considerable portion of the Gross National Product(Patience, 2009). The spending is in the form of future investments, transfer payments and acquisitions. Future investments look into the long term survival of the country and hence funds are directed toward infrastructure development example roads, airports and railways (Landau, 1985). Other examples of future investments include technological and medical research or government-subsidized housing construction. Acquisitions mean expenditures on goods and services for individual or public consumption. It is commonly referred to as general government spending or final consumption expenditure. It may also include importation of goods, government salaries, education expenditure, military acquisitions, administrative costs and funding for defense (Mitchel, 2005). Government spending may be current in nature. Current spending on state-provided goods & services that are provided on a recurrent basis every week, month and year, such as salaries, and resources for state education and defense. The other aspect of government spending is capital spending which includes infrastructure spending such as new motorways and roads, hospitals, schools and prisons (Mitchel, 2005).

Imports refer to goods and services produced by the foreign sector and purchased by the domestic economy. Essentially, they are goods and services purchased from other countries (Rufus, 2015). A goods or services brought into one country from another country(Jayakumar, Kannan & Anbalagan, 2014). Along with exports, imports form the backbone of international trade. The higher the value of imports entering a country, compared to the value of exports, the more negative that country's balance of trade becomes. The word import is derived from the word port, since goods are often shipped via boat to foreign countries. Countries are most likely to import goods that domestic industries cannot produce as efficiently or cheaply, but may also import raw materials or commodities that are not available within its borders(Jayakumar, Kannan & Anbalagan, 2014).

Exports refer to goods and services produced domestically and purchased by a foreign sector. They are goods and services purchased by other countries (Rufus, 2015). A function of international trade whereby goods produced in one country are shipped to another country for future sale or trade (Jayakumar, Kannan & Anbalagan, 2014). The sale of such goods adds to the producing nation's gross output. If used for trade, exports are exchanged for other products or services (Jayakumar, Kannan & Anbalagan, 2014). Exports are one of the oldest forms of economic transfer, and occur on a large scale between nations that have fewer restrictions on trade, such as tariffs or subsidies. Most of the largest companies operating in advanced economies will derive a substantial portion of their annual revenues from exports to other countries. The ability to export goods helps an economy to grow by selling more overall goods and services(Jayakumar, Kannan & Anbalagan, 2014).

2.1.1.2 Tax Policy

James, Adams and Besley (2011) tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom. The macroeconomic aspects concern the overall quantity of taxes to collect, which can inversely affect the level of economic activity; this is one component of fiscal policy. European Union Survey (2017) asserted that “tax policies in the EU survey” examines how Member States' tax systems help to promote investment and employment, how they are working to reduce tax fraud, evasion and avoidance, and how tax systems help to address income inequalities and ensure social fairness. Shahrodi, (2010) believed that tax policy needs to be designed such that the tax rates are appropriate and rational, the exemptions are lower in amount, the tax collection organization are more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense. Tax policy is simplified continuously, mainly for three reasons, namely to lower both compliance costs and administrative costs, to reduce uncertainty faced by taxpayers; and to improve the levels of voluntary compliance (Kasipillai, 2005).

In 2004, the federal government set up the Pius Okigbo working group to review and recommend a new national tax policy that would strengthen tax administration in the country. This was sent to the national assembly as the “national tax amendment bill 2007” for deliberation and it was subsequently passed into law in 2010. It was meant to widen and improve the machinery of tax collection. Included was the Company’s Income Tax Amendment Act, 2007 (CITA) that streamlines the provisions of the Company’s Income Tax. The establishment of the Federal Inland Revenue Service (FIRS) under an independent statute was to adopt a simple tax system with a low tax burden comprising a few broad-based taxes. The Nigeria Company Income Tax

rate currently stands at 30%. Ever since Companies Income Tax Ordinance was enacted in 1939, the federal government of Nigeria has maintained exclusive jurisdiction over the taxation of companies.

Companies Income Tax is a compulsory levy by government on the profits made by registered companies in Nigeria and it is a sub-set of an example of a direct tax because the incidence of payment and burden of tax are borne by the companies and cannot be transferred to a third party. The relevant tax authority charged with the responsibilities of assessing and collection of Company Income Tax (CIT) is the Federal Inland Revenue Service (Deloitte, 2015).

Ariwodola (2001) describe tax as a compulsory levy imposed by the government authority through its agents on its subjects or his property to achieve some goals. Arnold and McIntyre (2002) define tax as a compulsory levy on income, consumption and production of goods and services as provided by the relevant legislation. Tax is a charge imposed by government authority upon property, individuals, or transactions to raise money for public purposes. Taxation is a system of raising money to finance government projects. All governments require payments of money as taxes from people (Soyode & Kajola, 2006). Taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. In asocial oriented economy, only a small percentage of revenue may be derived from taxation while in a capitalist oriented economy, a grater percentage of government revenue, is derivable from taxation (Osita, 2004). Eftekhari (2009) posits that taxation has always been an issue for the government and taxpayer alike from the early years of civilization. Osita (2004) defines the term taxation as a compulsory levy by government through its various agencies on the income, capital or consumption of its subjects.

Tax Policy in Nigeria is enforced by the three (3) tiers of government, i.e. federal, state, and local government with each having its sphere clearly spelt out in the levies (approved list to investors both foreign and local. The major tax laws in existence as of September 2003, and various related amendment include the following, personal Income Tax act of 1993, Companies profits Tax of 1990, Petroleum profits tax act of 1990, The Petroleum tax act of 1990; Value –added tax act of 1990; Education Tax Act of 1993; Capital gain act of 1990; Customs and Excise management Act of 1990; Minerals and mining act of 1999; Stamp duties act of 1990 and 1999 constitution of the federal republic of Nigeria.

The study conceptualize tax policy as a compulsory levy that companies and individual contribute to the government in order to ensure growth of economy and such taxes are corporate income taxes, capital gain taxes, value added taxes, property taxes, customs and excise duties.

2.1.1.2.1 Corporate Income Taxes

The reduced company income tax measures that countries have used to attract technology-intensive investment include reduction in effective tax rate, tax holidays, tax free dividends, tax exemption from minimum tax levy, flat rate and loss carry forward relief. The government of Nigeria reduced the company income tax rate from 45% to 40% (from 1987 –1991), then between 1992 -1995, the rate was 35%, it was finally reduced to 30% from 1996 to date, to stimulate investment. Company income tax is described as tax payable on the profit of any company at a rate of 30% in every year of assessment.

This is a tax on the profit tax companies usually, allowance is made for capital expenditure before calculating taxable profit. This tax is also progressive in nature because the higher the

income the higher the tax and vice versa. It is also noted that tax evasion and avoidance are lower here when compared with the personal income tax, because of the federal government insistence on the submission of tax certificates with respect to any official issue involving companies. The tax year or Assessment runs from 1st January every year to 31st December the same year. Company income tax is payable to the federal inland revenue service, a government department that is charged with assessment and collection of the companies income tax.

Corporate tax is a levy imposed on taxable profit of firms with a stipulated statutory rate (Ali, 2015). The history of Taxation in Nigeria started with personal income tax in 1904, when Lord Lugard introduced income tax to northern Nigeria. Community tax became operative through the revenue ordinance of 1904.

In 1917, after the amalgamation of the northern and southern protectorates, the 1904 Revenue Ordinance was replaced by the native Revenue Ordinance of 1917. Furthermore, the provision of the 1917 Ordinance was amended in 1918 and extended to southern Nigeria particularly, the West and the Mid-West and subsequently to Eastern Nigeria in 1928. Under the Direct Taxation Ordinance of 1940, the assessment and collection of taxes were the primary responsibilities of the native administration /authorities throughout the country and taxes so collected were their main sources of revenue (FIRS, 2012). The first legislative enactment on Companies Income Tax in Nigeria was introduced in 1939 through the instrumentality of the Companies Income Tax Ordinance.

According to Ordinance No. 14 (1939) before the law came into effect, the regulation of both personal and business taxation was vested in one and the same legal regime (FIRS, 2012). The Companies Income tax Ordinance vested administration of the tax in a commissioner to be

appointed for that purpose by the Governor and the proceeds from the tax were to be remitted to the government treasury to form part of the general revenue of Nigeria. This ordinance was however found to be ineffective as it failed to bring individuals into tax net. Due to this weakness, The Companies Income Tax Ordinance 1939 was repealed a year after its passage by the Income Tax Ordinance 19405 the Ordinance regulated both personal and business taxation and carried on for 21 years when the second separate enactment on companies income tax was again enacted.

The second time a law was passed aimed at the exclusive taxation of companies income was in 1961. This was the Companies Income Tax Act No. 22 1961 which was landmark legislation, first, because from the date it came into force, the provisions of the Income Tax Ordinance 6 and the Income Tax Administration Ordinance 7 together with all rules made there under ceased to have effect with respect to companies income tax.⁸ Second the Act established the Federal Board Revenue as a statutory body and vested it with the power to administer companies Income Tax as well as all federal taxes (FIRS, 2012). Tax on the Income of companies was imposed by section 17 in respect of profits accruing in, received from, brought into or received in Nigeria from: any trade or business; rent or any premium arising from a right granted to any other person for the use or occupation of any property; dividends interest, discounts, charges or annuities; and any other amount not falling within the above categories but qualifying as annual profits or gains or any amount deemed to be income or profits under the Act or arising from a person or provident fund under the Income Tax Management Act 1961.

The Companies Income Tax act 1961 was in force until 1979 when it was repealed by the Companies Income Tax Act No.28, 1979. During its eighteen years it underwent series of amendments. For example, in 1967, a new section 30A was introduced which empowered the

Federal Board of Inland Revenue to assess and charge a company on a fair and reasonable percentage of the turnover of its business within or outside Nigeria in the case of resident companies, and its turnover of business carried on within Nigeria in the case of a non – Nigerian company, where in the opinion of the Board, the assessable profits of the company were not readily ascertainable.

In 1974, the Companies' Income Tax Act 1961 was further amended. First, a new source of chargeable income which included fees, dues and allowances (wherever paid) for services rendered was earmarked by section 17(f). Second a company entering into an agreement in respect of any service under paragraph (f) was required to make full written disclosure to the Board of the terms of such agreement. Third, tax relief was granted to every company which had suffered damage in respect of its trade or operations during the civil war but no deduction was allowable to such a company in respect of assets damaged or destroyed during the same period (FIRS, 2012) Fourthly, a company paying another company any sum of money by way of interest, management fee or royalty was required to deduct tax at the rate of one shilling per every pound as prescribed by section 32 of the principal Act and pay the amount so deducted to the board.² Finally, a new expense item was listed as a nonallowable deduction and included as section 28(g) (Ordinance No. 14, 1939)

2.1.1.2.2 Value-Added Taxes

Valued added taxes is called the Goods and Services Tax (GST) and it is levied on the value added that results from each exchange. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax (Ochei, 2010). Value Added Tax (VAT), which is currently 5% of invoice value of goods and services except items specifically stated as exempt or

zero-rated, is a tax on the supply of goods and services which is eventually borne by the final consumer but collected at each stage of the production and distribution chain by the Federal Inland Revenue Service (FIRS).

Value Added Tax in Nigeria was created to replace sales Tax that was in operation. It was imposed on all goods that were manufactured in Nigeria as well as goods that are being sold in Nigeria but were produced outside (Fredrick & Okeke, 2013). VAT Decree No. 102 made on the 24th of August, 1993 by the Federal Government, certain goods and services have been exempted from the preview of Value Added Tax. A number of services have been exempted from Value Added Taxation in Nigeria (Fredrick & Okeke, 2013). These services are all services that are exported, medical services, plays and performance that are run by educational institutions for educational purposes and services that are provided by community banks, mortgage organizations and people's banks. All commodities attract VAT with the exception of medical and pharmaceutical products and basic food items such as, beans, yam, cassava, maize, rice, wheat, milk and fish, infant food items, etc. In this case all imported goods attract VAT. In 1995, the VAT revenue distribution formula was modified as the share of federal government increased from 20% to 50%, while the share of state government increased from 0% to 25% (Fredrick & Okeke, 2013)

2.1.1.2.3 Property Taxes

Property tax was officially introduced by the proviso of the law in Britain known as the Poor Relief Act of 1601, also called the Statute of Elizabeth. The law stipulated on taxes on every occupier of land or property. Nigeria as a British colony inherited most of the British administrative system, among which is the property tax. Property tax is a process of determining

a value charged for maintenance of infrastructures, it is a tax on people who enjoy the facilities provided by local governments (Hakim, 1987). While, a conflicting view is that, property tax is a tax by the local governments on immovable properties for example factories, houses, shops, offices within the jurisdiction of a municipal council. Another contrasting view on property tax is that, it is a tax imposed on the value of a property and to be paid by the tenant of that property. This definition applies to UK and Nigeria. However, is a tax imposed on the value of a property and to be paid by the owner of that property.

According to Maryam and Bala (2013), property tax which is a form of tax chargeable by government and imposed by municipalities upon owners of real property within their jurisdiction based on the value of such property. The Food and Agriculture Organisation (FAO) (2002) defines property tax as an annual tax imposed on real property usually by reference to an advalorem tax base (i.e., the tax is calculated according to the value of the property).

Property tax is generally practice by countries around the world, sharing this view is Dzulkanian, (2011) he stated that, almost all governments around the world rely to some extent on property taxation. Similarly, property taxes are the main sources of revenue for municipalities in Canada, United States and Australia according to (Enick, 2002). However, it is not the question of property tax been accepted, but how responsive is the municipal authorities towards service provision. Since the current issue is how to increase the revenue base of Local Governments through property taxation, this has been a recurring subject to countries around the world.

2.1.1.2.4 Capital Gain Tax

Capital is governed by capital gain tax of 1967. It is form of tax chargeable on profits made on disposal of all forms of non-trading properties or elsewhere individuals also pay capital gains

tax. The gains are taxed at 10% but before 1994 it was 20%. When an asset is sold at a price above the cost any gain arising from it is regarded as capital gain and it is chargeable to tax at the rate of 10% (Maryam & Bala, 2013). A loss may also arising from disposal of non-trading assets should form part of profit or loss on ordinary activities of the business for a period. The tax effect is included in the tax-expense for the period as well where the gain or loss arises as a result of disposal of an extraordinary item, the tax on the gain or loss should be shown as a deduction from the extraordinary item to which it relates. Any loss arising on disposal of an asset is not reducible from gains made on disposal of another asset even if they are of the same type (Maryam & Bala, 2013).

2.1.1.2.5 Custom and excise duties

This is a form of indirect tax policy of the federal government of Nigeria paid by an individual and commercial entity that is involved in importation and exportation of goods and services. Custom duties are classified into export and import duties. While import duties are taxes levied on goods imported into the country from other country, export duties are levied on goods sent out to other country (Joseph, Ikechukwu & Amah, 2016). The value of taxation duties is based on CIF (Cost, Insurance and Freight) which implies that the import duty and tax payable are calculated on the complete shipping value, which includes the cost of the imported goods, the cost of freight and the cost of insurance. In addition to duty, imports are subjected to sales tax and other tax specific to certain commodities such as excise, duty on sugar levy, rice levy, cigarette levy and automotive levy (Joseph, Ikechukwu & Amah, 2016).

Duty rate in Nigeria vary from 0% to 35% with the average duty rate at 16.96%. Some products can be imported free of duty e.g. books. Sales tax is levied on imports at a standard rate of 5% on the sum of the CIF value, duty and excise and other taxes of applicable (Joseph, Ikechukwu &

Amah, 2016). Excise is charged on some products at rates between 5% and 30% on the sum value of the CIF value and duty. Sugar levy is charged at rates between 10% and 20% on the sum of CIF value and duty. Rice levy is charged at the rate of 20% in the sum of the CIF value and duty. Cigarette levy is charged at rates between 50% and 100% on the sum of the CIF value and duty. Automotive levy is charged at rates between 10% and 20% on the sum of the CIF value and duty (Joseph, Ikechukwu & Amah, 2016).

2.1.1.2.6 Petroleum Profits Tax

Petroleum taxation is the instrument of choice for sharing wealth between host governments and international oil companies. It is a direct tax, levied annually on net profit of a petroleum tax payer, who is carrying on the business of petroleum exploration and production (Evans & Hunt, 2011). Petroleum taxation has some particular features as a result of oil industry's unique characteristics: the huge central contribution of revenue to the economy, the volatility of oil prices, the large operating and development costs, the high uncertainty associated with petroleum geology, the specific characteristics of individual oilfields, and the possibility of re-investment. The cost of petroleum projects tend to be incurred up-front and the time lags between the discoveries of oil or gas reserves to the time of first production can be significant. This adds to the challenge of designing and implementing appropriate petroleum tax system aimed at achieving a balance between both government and industry interest (Evans & Hunt, 2011). A variety of tax instruments have been used to capture the economic rent from oil activity over the years namely; gross royalty, brown tax, resource rent tax (RRT) and income tax. Royalty is an output-based tax because it is levied on the unit or value of production, whereas the other three instruments are profit based or cash flow taxes, because they are imposed on net profit or operating income after capital investment (Saheed, Abarshi & Ejide, 2014).

One of the sources of revenue to the government is petroleum income as available statistic shows that the Nigeria has proven oil reserves of 36 billion barrels, condensate of 4 billion barrels, proven gas reserves of 187 trillion cubic feet and the present average daily production of oil is put at 2.6 million bbl/b (Agbogun, 2004; Egbogah, 2006; International Energy Agency, USA, 2015). Petroleum Profit Tax has been defined as a legislation which imposes tax upon profits from the mining of petroleum in Nigeria and provides for the assessment and collection thereof and for the purposes connected therewith (Attamah, 2004).

Accounting for income from oil and gas producing activities differ in many respects from financial accounting (Gallun & Stevenson,1986). Odusola (2006) defines petroleum profit tax as a tax applicable to upstream operations in the oil industry. It is particularly related to rents, royalties, margins and profit sharing elements associated with oil mining, prospecting and exploration leases. Attamah (2004) asserted that Petroleum Profit Tax is the most important tax in Nigeria in terms of its share of total revenue contributing 95 and 70 percent of foreign exchange earnings and government revenue respectively. According to Jakir (2011), Nigerian law by virtue of the Petroleum Profits Tax Act (2004) which was further amended in 2007 requires “an Act to impose a tax upon profits from the winning of Petroleum in Nigeria, to provide for the assessment and collection thereof and for purposes connected there with”.

Adigbe (2011) further states that the taxable income of a petroleum company comprises proceeds from the sale of oil and related substances used by the company in its own refineries. According to Success, Success and Ifurueze (2012) this Act became effective 1st January, 1959 since export of oil to the international market started in 1958. This ordinance under which petroleum profit is taxed is referred to as the Petroleum Profit Tax Act (PPTA). It was first amended in January

1967 by the Federal Military Government through decree No 1 of 1967. There have been further amendments since the last amendment in 1967. The principal Act governing the taxation of profits from petroleum in Nigeria is the Petroleum Profits Tax Act 2007. Section 2 of the PPTA defines petroleum operations as “the winning or obtaining and transportation of petroleum chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried on by the company engaged in such operations and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company”.

The purpose of this legislation is to regulate and control the procedure of taxation of petroleum companies which involves petroleum exploration, development, production and sale of crude oil. However, Section 8 of Petroleum Profit Tax Act (PPTA) states that every company engaged in petroleum operations is under an obligation to render return, together with properly audited annual accounts and computations, within a specified time after the end of its accounting period. Petroleum Profit Tax involves the charging of tax on the incomes accruing from petroleum operations (Nwezeaku, 2005). It was further noted that the importance of petroleum to the Nigerian economy gave rise to the enactment of a different law regulating the taxation of incomes from petroleum operations.

The petroleum profit tax is charged, assessed and payable upon the profits of each accounting period of any company engaged in petroleum operations during any such accounting period, usually one year (January to December) (Anyanwu, 1993). According Ofe, Onyemachi and Caroline (2008), the administration of PPTA is under the care and management of the Federal

Board of Inland Revenue. The tax laws according to Adekanola (2007), have vested the authority to assess, administer and collect all taxes from corporate entities on the Federal Inland Revenue Services. Taxes administered at the Federal level include the Petroleum Profits Tax, Companies Income Tax, and the Value Added Tax as well as the Capital Gain Tax, when such capital gains are generated by corporate entities. The administration of taxes in Nigeria has also been focused on revenue generation to the detriment of stimulating economic development (Adekanola 2007).

2.1.1.2.7 Tax Rate

The tax rate is the ratio (usually expressed as a percentage) at which a business or person is taxed (Ali, 2015). Tax rate measures the amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits. Taxes withheld (such as personal income tax) or collected and remitted to tax authorities (such as value added taxes, sales taxes or goods and service taxes) are excluded (Ali, 2015). There are several methods used to present a tax rate: statutory, average, marginal, and effective. A tax rate is the percentage at which an individual or corporation is taxed. The tax rate is the tax imposed by the federal government and some states based on an individual's taxable income or a corporation's earnings (Ali, 2015).

According to the Oil Market Report (OMR) of the International Energy Agency (2012), Nigeria has been seen to be the largest oil producing country in African and the eleventh in the world. The major investors in the petroleum industry are the international oil companies (IOCs), the principal legislation governing petroleum operations in Nigeria is the Petroleum Profit Tax Act (PPTA) of 2007. Its main fiscal instrument is the Petroleum Profit Tax (PPT). The PPT Act provides for the imposition of Petroleum Profits Tax on the chargeable profits of companies

involved in the upstream activities of exploration, drilling, extraction and transportation of crude oil. From inception in 1959, the Act has undergone series of amendments culminating in the Petroleum Profits Tax (Amendment) Act of 2007.

2.1.1.3 Balance of Payment

The concept of balance of payment was discussed in 1960s and 1970s by Mundell (1961), Fleming (1962) and Johnson (1972). It was an improvement on the Keynesian model of income determination in an open economy. Balance of payments account is composed of four main elements namely; current account balances, capital and financial account balances, balancing items (Errors and Omissions) and reserves balances. Current account balances are further subdivided into trade balances, income balances and transfers balances. Trade balances record the value of exports and imports of both goods and services. Examples of goods are final consumer goods, raw materials and intermediate capital goods while services include transportation, construction services, communication services banking, insurance, tourism, travel services, financial services, computer and information services, royalties and license fees, personal, cultural and recreational services, government services and expenses on education. Income balances are comprised of items such as compensation of employees, interest, rent, profits, dividends and royalties received from foreign countries and paid out to foreign countries. Items that make up transfers account balances are gifts, grants and reparation receipts and payments to foreign countries. Transfers can be government transfers or private transfers. Government transfers are normally given either for economic, political or humanitarian reasons (Mannur, 2012). On the other hand, private transfers are remitted or received from foreign countries on person –to- person basis.

The balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world (IMF, 1993). Balance of payment is defined as a systematic record of economic and financial transactions for a given period of time, say one year, between residents of an economy and non-residents and the rest of the world (Sloman, 2004). These transactions involves the provision and receipt of real resources, goods, services and income, changes in claims on and liabilities to the rest of the world. The balance of payment records transaction of goods, services and income, changes in ownership and other changes in an economy's holding of monetary gold, Special Drawing Rights (SDRs) and claims on and liabilities to the rest of the world (Imoughele, & Ismaila, 2015).

According to Kindleberger (1985) noted that balance of payments of a country is a systematic record of all economic transactions between the residents of the reporting country and residents of foreign countries during a given period of time. The record of such transactions is made in the balance of payments account (Lipsey & Chrystal, 2007). To them, BOP is further divided into two major parts, namely: The current account (CA), which includes the recording of all transactions related to trade in goods and services and also includes transfers. On the other hand, capital account records transactions related to financial assets, foreign investments, short term and long term lending. In short, capital account shows changes in the country's foreign assets and liabilities.

Balance of Payments is a statistical statement that systematically summarizes, for a specific time span, the economic transactions of an economy with the rest of the world (transactions between residents and non-residents) and the IIP compiles for a specific date, such as the end of a year, the value of the stock of each financial asset and liability as defined in the standard components of the Balance of Payments (Srivastava, 2003).

The balance of payments accounts records FDI flows on a net basis that is reflected as capital account credits less debits between direct investors and their foreign affiliates. The liabilities represent the source of funding, which covers loans, capital and reserves and the profits brought forward. The assets represent the use of funds that involves the act of investment by the company to acquire plant and machinery, real estate, etc (Srivastava, 2003).

The United Nations Economics and social council (ECOSOC, 2009) notes that multinational corporation's present special measurement problem for balance of payment accounts. They interprets these problems by the fact that the accounting systems of multinational corporations do not necessarily capture the real economic value of the activities and transaction as it should be reflected in the national accounts of different countries they invest in.

The conceptualize balance of payment to implies transaction of cash or provision of cash, receipt of real resources, goods, services, income, changes in claims and liabilities for a specific account period reflecting the capital account and current account of foreigners who transact business with the home country to ensure that they comply with financial requirement of the host country.

2.1.1.3.1 Current Account

Current account records all current transactions, which are transactions that include either the export or import of goods and services (Anthony, Lekan, & Bosco, 2013). To them also, they include merchandise and services. Balance of Payment Manual by International Monetary Fund (2008) defines current account as it covers all transactions (other than those in financial items) that involve economic values and occur between resident and nonresident entities. Also covered are offsets to current economic values provided or acquired without a quid pro quo. Specifically,

the major classifications are goods and services, income, and current transfers. Thus, current account is a broader measure than trade balance as it also includes income (investment income & compensation of employees) and current transfers. The current account of the BOP provides information not only on international trade in goods, but also on international transactions in services.

Current accounts are transactions which classified into merchandise (exports and imports) and invisibles. Invisible transactions are further classified into three categories, namely (a) Services-travel, transportation, insurance, Government not included elsewhere (GNIE) and miscellaneous (such as, communication, construction, financial, software, news agency, royalties, management and business services etc); (b) Income (investment income and compensation of employees); and (c) Current Transfers (grants, gifts, remittances, etc.) which do not have any quid pro quo. Investment income covers receipts and payments of income associated, respectively, with residents' holdings of external financial assets and with residents' liabilities to non-residents. Investment income consists of direct investment income, portfolio investment income, and other investment income(Balance of Payment Manual by International Monetary Fund, 2008)

The Current Account Balance (CAB) is a key component of the balance of payment (BOP) and of vital importance in macroeconomic analysis of an open economy. Current account balance measures current payments (cash outflows) and current receipts (cash inflows) between residents of a country and the rest of the world. Kariuki, (2009) explains that current account balance comprises of factor income, balance of transactions of goods and services and current transfers. Current account balance is an important economic measure of how well an economy fairs in international economic transaction and a key indicator of the level of national savings, spending behavior and investment (Wanjau, 2014). Economic theory contends that whether current

account balance disequilibrium (precisely current account deficit) is beneficial or detrimental to the economy depends on factors that gave rise to it. For instance, the currency crisis in Mexico and Thailand in the 1990s' was linked to abrupt withdrawal of foreign financing amid a financial crisis. Large and persistent current account balances, reversal of foreign financing and an unsustainable import bill and inadequate export revenue highly disrupted private consumption, government expenditure and investment in the aforementioned economies (Kariuki, 2009; Ghosh & Ramakrishnan, 2006).

Current account covers all transactions that involve real sources (goods, services, income) and current transfers. The Current Account records exports and imports of goods and services, income receivable and payable abroad as well as current transfers. Current Account transactions are recorded on a transactions gross basis. All credit transactions (i.e. receipts from abroad) and debit transactions (i.e. payments to abroad) are recorded. As per Todaro and Smith, (2003), current account balance is the difference between a country's total exports and imports of goods and services, plus net investment income, debt service payments, remittances and transfers. Current account balance is said to be in deficit when there is negative balance and surplus when the balance is positive. The balance of payment identity states that the net balance on the current account should exactly mirror the net balance on the capital and financial account (International Monetary Fund, 2009). The identity claims that the net provision of real resources by an economy to the rest of the world matches a change in the country's net financial claims on the rest of the world. Kandil (2009) observed that the accounting relationship in the balance of payments indicates that a deficit in the current account may be associated with an increase either in the financial balance or a reduction in foreign reserves.

2.1.1.3.2 Capital Account

The capital account is made up of portfolio and direct investment, either long or short term capital and capital transfers (Anthony, Lekan, & Bosco, 2013). The capital account also refers to charges in financial assets and liabilities, portfolio investment, external loan drawings and amortization and charges in short-term capital movements (Anthony, Lekan, & Bosco, 2013).

Balance of Payment Manual by International Monetary Fund (2008) notes that there are major components of the capital account which are (a) capital transfers and (b) acquisition/disposal of non-produced, nonfinancial assets. The capital account (KA), that consists of its transactions in financial assets in form of short term and long term lending or borrowings both private and official investments. In other words, the capital account shows international flow of loans and investments, and represents a change in the country's foreign assets and liabilities. Long term capital transactions relate to international capital movements with maturity of one year or more and include direct investments like building of a foreign plant, portfolio investment like the purchase of foreign bonds and stocks, and international loans. On the other hand, short term international capital transactions are for a period ranging between three months and less than one year (Jhingam, 2008).

2.1.1.4 Historical Trends of Balance of Payment Policies in Nigeria

According to Marsha (1994), two types of policy measures are used in dealing with balance of payments problems. These are expenditure switching measures and expenditure reducing policies. Expenditure reducing policies refer to fiscal policy (conducted by changing government expenditure and /or taxes) and monetary policy which refers to changes in money supply, which in turn affect interest rate. Expenditure switching policies refers to devaluation (depreciation) and revaluation (appreciation) of the country's currency.

Expenditure Switching and Expenditure Dampening Policies 1970 -2003

Nigeria has recorded well over ten deficits in her balance of payments account. These deficits were recorded in 1976, 1977, 1981, 1982, 1983, 1986, 1988, 1992, 1994, 1995, 1996, 1998, 1999, 2002, and 2003 (CBN 2010; 2011). An expenditure switching policy is any action taken by a government which is designed to persuade purchasers of goods and service both at home and abroad to purchase more of that country's goods and services and less of the goods and services produced by others. It involves the devaluation or revaluation of a country's currency in order to switch its expenditure from foreign to domestic goods or vice versa (Umoru & Eboreime, 2013). They aim at correcting BOP disequilibrium. According to Johnson two typed of expenditure switching policies includes, devaluation and the use of direct controls to restrict imports and to correct BOP deficit. Devaluation means a reduction in the external value of a currency in term of other currencies. But there is no change in the internal purchasing power of the currency. Thus, when a country with BOP deficit devalues its currency, the domestic price of its imports increases and the foreign price of its exports falls. This makes its exports cheaper and imports dearer. Now the foreigners can buy more goods by paying less money than before devaluation. This encourages exports and causes expenditures to be switched from foreign to domestic goods as the country's exports increase and the country produces more to meet the domestic and foreign demand for goods. On the other hand, with imports becoming dearer than before, they decline. Thus with the rise in exports and fall in imports, BOP deficit is corrected. The second type of expenditure switching policy is the use of direct controls to restrict imports of goods in order to correct a BOP deficit. This can be done by levying heavy import duties fixing of quotas, etc. The government may also give domestic producers production and export subsidies (Umoru & Eboreime, 2013). In this way, imports are reduced and exports are encouraged in order to correct an adverse balance of payments problem. The government also adopts financial controls to

reduce a BOP deficit. They operate through exchange controls over the use of money by restricting the freedom of the use of money either through regulation of certain uses or by making some uses of money more expensive than others. However, a major disadvantage of direct controls is that it deals with only the deficit and fails to come to grips with the basic cause especially when the deficit is due to capital flight. This is why monetary -fiscal measures are considered better than direct controls in correcting a BOP deficit (Okoli .& Ikpezejune, 2013).

Expenditure switching policy is also called monetary policy which refers to changes in money supply, which in turn affect interest rate. Expenditure switching policies refers to devaluation (depreciation) and revaluation (appreciation) of the country's currency. The aim of expenditure switching policies is to switch domestic demand from imported goods to home made goods. However, the extent to which expenditure switching policies is achieved depends on elasticity of supply and demand for tradable goods. If the depreciation of the nominal exchange rate is matched by increase in wages, absorption and inflation, the real exchange rate would not depreciate and so the balance of payments would not improve (Umoru & Eboreime, 2013).

Expenditure switching policies refer to changes in the exchange rate (i.e. a devaluation or revaluation). Devaluation switches expenditure from foreign to domestic commodities and can be used to correct a deficit in the nation's balance of payments. But it also increases domestic production, and this induces a rise in imports, which neutralizes a part of the original improvement in the trade balance. A revaluation switches expenditures from domestic to foreign products and can be used to correct a surplus in the nation's balance of payments. This also reduces domestic production and consequently, induces a decline in imports, which neutralizes part of the effect of the revaluation (CBN, 2015).

A significant method which is quite often used to correct fundamental disequilibrium in balance of payments is the use of expenditure-switching policies (CBN, 2015). Expenditure switching policies work through changes in relative prices. Prices of imports are increased by making domestically produced goods relatively cheaper. Expenditure switching policies may lower the prices of exports which will encourage exports of a country. In this way by changing relative prices, expenditure-switching policies help in correcting disequilibrium in balance of payments (CBN, 2015).

The important form of expenditure switching policy is the reduction in foreign exchange rate of the national currency, namely, devaluation. By devaluation we mean reducing the value or exchange rate of a national currency with respect to other foreign currencies. It should be remembered that devaluation is made when a country is under fixed exchange rate system and occasionally decides to lower the exchange rate of its currency to improve its balance of payments (CBN, 2015).

Nigerian economy started capsizing in the early 70s immediately after the oil glut. This sector that could hardly contribute 0.6% to the GDP suddenly has about 60% accounted for in GDP. Since these periods the Nigerian balance of payments had witnessed deficit. When Nigeria started recording huge balance of payments deficits and very low level of foreign reserve in the 1980s, it was felt that a depreciation of the naira would relieve pressures on the balance of payments. Consequently, the naira was devalued. The irony of this policy instrument is that our foreign trade structure did not satisfy the Marshall-Lerner condition for a favourable balance of payment adjustment (Umoru & Eboreime, 2013). The Nigerian foreign structure is characterized

by export of crude petroleum whose prices are pre determined in the world market. This is in addition to low import and export price elasticity's of demand.

From 1978 through 1983 the trade deficit persisted. In early 1984, the Nigerian government closed Nigeria's land borders and international airports for several days, replaced all old naira notes with new currency bills, and introduced stricter exchange-control regulations designed to reduce the repatriation of Nigerian Naira smuggled abroad and prevent future convertibility to other currencies (Ogiogio, 1996; CBN, 2010). The negative price shock in the world market in the early 1980s resulted in a substantial reduction in export earnings that accrued to government. The outcome of this was huge and recurring fiscal deficits, balance of payments and debt crises, due to unsustainable huge public sector expenditure and lack of alternative source of export earnings (CBN, 2010; 2011). Therefore, 1980s witnessed deficits in current accounts and the deficit-GDP ratio rose to 12 percent in 1982 from four percent in 1980. Low oil prices and the banking crisis in the country resulted in budget deficits of 4.4 percent of GDP in 2009 and 5.7 percent of GDP in 2010 (CBN, 2012). In recent times, the savings gap widened and the total debt-GDP ratio is on the increase.

Expenditure Reducing Monetary and Fiscal Policies, 1980s, 2013-2017

Suppose there is a BOP deficit in an economy. This implies an excess of expenditure over income. To correct it, the monetary authority reduces the money supply which increases interest rates thereby reducing investment and output. This in turn, reduces income and aggregate demand for imported goods (Anazodo, Okoye, & Chukwuemeka, 2012). There is also a reduction in the domestic price level which may lead to switching of expenditure from foreign to domestic goods. Consequently, the country's imports are reduced and exports are increased. Thus the

current account trade deficit is reduced. Moreover, a rise in domestic interest rates increases the inflow of capital, thereby completely eliminating the BOP deficit. The reverse is the case when the monetary authority adopts an expansionary monetary policy to correct a BOP surplus. On the other hand, an expenditure reducing fiscal policy relates to cut in government expenditure and/or increase in taxes. This measure will reduce disposable incomes meaning that less will be available to spend on imports. In addition, the reduced government spending will lead to a downward multiplier effect which will depress income further. If the balance of payment curve is less elastic, a contractionary fiscal policy will lead to the correction of BOP deficits(Anazodo,Okoye, &Chukwuemeka,2012).

Following the end of the oil boom period when the Nigerian economy benefited from a steady balance of payments surplus, her balance of payments has been fluctuating between positions of surplus and deficit. The balance of payments problem has become a binding constraint in the realization of the federal government of Nigeria macroeconomic objectives. Since the 80s, the nation's balance of payments position has been under constant pressure and this has been part of the major macroeconomic problem the nation has been dealing with. So many reasons have been suggested for this excessive pressure on the balance of payments position in the economy. According to Gbosi (2002), these reasons are as a result of fluctuations in the prices of crude oil, poor performance of the non-oil export, high taste for foreign goods and services, continuous fall in the country's foreign exchange and ineffective manufacturing sector.

The government of Nigeria adopted expenditure reducing policy within this period which is also referred to fiscal policy (conducted by changing government expenditure and /or taxes). The aim of expenditure reducing policies is to reduce domestic expenditure on consumption and increase expenditure on investment, thus, releasing goods and services for exports while leaving

aggregate output unchanged (Gbosi, 2002). However, expenditure reducing policies have costs in terms of loss of output, investment and employment. The loss will be minimized if resources can be easily moved to the tradable goods sector.

The Nigerian economy has been subjected to severe and continuous macroeconomic instability which has led the economy into several crises. Notable among these are the inflationary pressure of the mid 1970s when the Federal Government through Udoji Commission granted an increase of about 300% in the salaries and emoluments of the civil servants (Anazodo, Okoye, & Chukwuemeka, 2012). This led to the injection of huge amounts of money into the economy beyond what it could accommodate. The direct consequence of this policy was a high level of inflation. Sequel to this was oil price shocks that occurred as a result of the oil glut of the early 1980s which affected most oil producing exporting countries including Nigeria. The fall in crude oil price of early 1980s resulted in oil revenue shock in Nigeria, coupled with unabated preferences for imports. This resulted in current account deficit as revenue from exports was insufficient to offset the bills accruing from imports. The period also witnessed decline in capital (investment) flows into the country as many countries in the world were battling with the effects of slower economic growth. This led to a full blown balance of payments crisis and huge debt profile in Nigeria (Anazodo, Okoye, & Chukwuemeka, 2012).

In the early 1980s, the oil market weakened, substantial external and fiscal imbalances emerged. These were financed by public sector borrowing, depleting international reserves and large accumulation on payment arrears on external trade credits and as such created problems in our Balance of payments. In 1984, austerity measures were introduced to redress the nagging deficits in the country's balance of payments, these included; slashing of budgetary expenditures,

administrative control for import licenses, increase and upward review of tariffs(Anazodo,Okoye, &Chukwuemeka,2012). In 1986, the Structural Adjustment Programme (SAP) was introduced, which amongst other things, combined exchange rates and trade policy reforms to promote economic efficiency and long term growth in the stabilization polices designed to restore balance of payments equilibrium and price stability(Anazodo,Okoye, &Chukwuemeka,2012).

However, from 2013 to 2017 government of Nigeria also reduced expenditures on payment of oil subsidies, religious finances to the holy land, also, drastic reduction in the membership of the federal and state cabinets, including the number of advisers and assistants. There is also the need to merge Ministries, Departments and Agencies (MDAs) (CBN, 2012)

2.1.1.5 Historical Trends of Trade Policy in Nigeria

Trade Policy Trend between1960–1970s

Nigeria pursued an import substitution industrialization strategy during the first decade of independence. This involved the use of trade policy to provide effective protection to local manufacturing industries, through such measures as quantitative restrictions and high import duties. Many items were accordingly placed on import prohibition (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). During this period, all imports from Japan were placed under import license. Machinery and spare parts imports were restricted and exchange controls on the repatriation of dividends and profits were enforced. Restrictions were also applied on capital goods, spare parts and non-essential imports. Although the import substitution industrialization strategy continued even after the Nigerian civil war in 1970, trade policy between 1970 and 1976 assumed a less restrictive stance, ostensibly because of demands necessitated by the post-war reconstruction. Thus, only items that were regarded as non-essential consumer goods were restricted, while tariff

rates on raw materials were reduced and quantitative restrictions on spare parts, agricultural equipment and machinery were relaxed (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). Similarly, the reconstruction surcharge on imports was reduced from 7.5 percent to 5 percent and later completely eliminated, while exchange controls and profit repatriation were also relaxed. The 1960s and early 1970s also saw the application of export duties ranging from 5 to 60 percent on agricultural exports such as cocoa, rubber, cotton, palm oil, palm kernel and ground nuts. In 1973 however, these duties were eventually abolished, as a result of the oil boom and the need to promote agricultural exports as part of the export diversification strategy. However this spurt of liberalization ended in 1977, when a wide range of imported finished goods requiring licenses came to be placed on very high duties or were banned outright. This transformed restrictive trade policy culminated in the banning of 82 items in 1979, while a further 25 items were compulsorily placed on import authorization (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

Indigenization Policy Period (1972-1977)

The Nigerian Enterprises Promotion decree (NEPD), 1972 or Nigerian Indigenisation Policy (1972) often regarded as a bench-mark industrial policy came in the wake of the desire to make Nigerians own and control the industrial enterprises in the country. As noted by Ndebbio et al (1991), the indigenization Decree was to give Nigerians the opportunity to demonstrate the ability to assume ownership, control and management of a greater part of the nation's economy.

Its main objectives were to: the transfer of ownership and control to Nigerians in respect of those enterprises formally wholly or mainly owned and controlled by foreigners, create opportunities for the Nigerian indigenous businessmen; maximize local retention of profits; increase the level of intermediate and capital goods production; ensure increased participation of Nigerians in the

wealth of their nation; and create employment opportunities for Nigerians to ensure increased level of self reliance in the supply of industrial output (Maurice, Ugumanim & John, 2012).

The 1972 Act that resulted in the indigenization policy was amended, repealed and replaced by the Nigerian Enterprises promotion Act, in 1977. This Act gave birth to the indigenization policy of 1977. The 1972 contained II schedules, while the 1977 act contained III schedules. Schedule I of 1977 contained 40 Enterprises, schedule II contained 57 and schedule III contained 39. In 1981 to be precise, the number of Enterprises in each schedule was revised. By this, schedule I had 36 Enterprises, schedule II, 57 Enterprises and schedule III, 45 Enterprises respectively (Maurice, Ugumanim & John, 2012).

This policy, however, suffered setbacks owing largely to insufficient capital, lack of skill manpower and activities of unscrupulous Nigerians who connived with foreign investors to undermine the policy. Consequently, there was distortion in the industrial sector and production index indicated a downward trend. Compound growth rate of industrial production between 1981 and 1986, when the effects of this policy actually manifested, was in the negative, -1.8 percent. It should also be recalled that the huge oil windfall recorded in the mid-1970s actually ceased to flow during this period. The foreign reserve of the country was severely depleted and many industries that relied on imported inputs had to either shut down or operated below full capacity

The Nigerian government decided to adopt a more rigorous strategy in its second National Development Plan (1970–1974), which was to embark on partial and sometimes total nationalization of foreign controlled enterprises (Hill, 2002). However, when the enabling legislation was passed two years later (the Nigerian Enterprises Promotion Decree 1972), it proposed a gradual indigenization of the economy through the transfer of foreign holdings to

indigenous people(Coker, 2008). It aimed to increase local participation but not eliminate foreign investment. The approach was not effective and the law was generally viewed as not achieving its aims (Coker, 2008). A second decree was enacted in 1977 (the Nigerian Enterprises Promotion Decree) which was largely similar to the earlier legislation but which increased government participation in some businesses, such as in the banking sector(Maurice, Ugumanim & John, 2012).

Trade Policy Trends between1980-90s

A paradigm shift came about in the 1980s with the emergence of economic liberalization, deregulation and the privatization of state owned corporations and interests. The Enterprises Promotion Act 1989 was introduced which repealed the Nigerian Enterprises Promotion Decree of 1977. The new act was Nigeria's first step towards the deregulation and liberalization of its economy. The act opened the field once again for 100 per cent foreign participation in most sectors of the Nigerian economy, subject to necessary approvals by the government (Hill, 2002). Since then, Nigeria has whole-heartedly embraced the neo liberal free market economy and has embarked on massive privatization and commercialization of the economy(Coker, 2008).

However, policy shift towards exports promotion and a move to intensify the use of local raw materials in industrial production was more pronounced form 1980. However, the increase in the value of imports led to a worsening of the balance of payments (with, in addition, the backdrop of the collapse in world oil prices), which forced the government to promulgate the Economic Stabilization (Temporary Provisions) Act in April 1982. Under this Act, tariffs on 49 items were raised, while a prohibition was imposed on gaming machines and frozen poultry. Further, 29 commodities were removed from the general import license regime and placed under specific

license, while the use of pre-shipment inspection became widespread. During 1983 – 1985, 152 items were brought under specific import license, and foreign exchange regulations became more stringent. The central objective of trade policy was to provide protection for domestic industries and reduce the perceived dependence on imports; a consequence to that objective was a desire to reduce the level of unemployment and generate more revenues from the non-oil sector. as a result, tariffs on raw materials and intermediate capital goods were reduced (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

The Structural Adjustment Period (1986- date)

There was a significant shift in trade policy direction towards greater liberalization as of 1986. This shift in policy is directly attributable to the adoption of the structural adjustment programmes. The Customs, Excise, Tariff etc (Consolidation) Decree, enacted in 1988, was based on a new Customs goods classification, the Harmonized System of Customs Goods Classification Code (HS). It provided for a seven-year (1988 -1994) tariff regime, with the objective of achieving transparency and predictability of tariff rates. Imports under the regime thus attracted ad-valorem rates applied on the Most Favoured Nation (MFN) basis. A new seven-year (1995 - 2001) tariff regime, established by Decree No. 4 of 1995 succeeded the previous (1988 – 1994) regime (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). The tariff structure over the period 1988 - 2001 increased import duties on raw materials, and on intermediate and capital goods, while tariffs on consumer goods were slightly reduced. This was aimed at reducing distortions in resource allocation and combating smuggling. Both the 1988 and 1995 tariff schedules had provisions for reviews and amendments. However, they maintained the familiar mixed trends in tariff regimes. Three types of changes Trade Liberalization and Employment Generation in Nigeria were subsequently common, namely, reduction in rates; increase in rates

and/or removal from or addition to the import prohibition list (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

Trade Policy under the National Economic Empowerment and Development Strategy (NEEDS) Era (1999-2006)

In the trade policy area, NEEDS seeks to deepen Nigeria's integration with the rest of the world and to maximize the benefits of strategic integration. Accordingly, regional integration and trade are the two instruments identified by NEEDS for maximizing the benefits of globalization. The trade policy objective under NEEDS is to lay a solid foundation for fully exploiting Nigeria's potentialities in international trade. While aspiring to the above, NEEDS has by no means overlooked the challenges which have so far hampered the realization of these potentialities. A number of constraints are identified, namely: the high cost of doing business; inadequate infrastructure; poorly implemented incentives, especially in regard to fiscal and tariff regimes; widespread smuggling, counterfeiting and dumping; lack of standardization, required for products to compete internationally; and unfavourable international trade rules (Hill, 2002).

Nigeria's trade policy regime as currently contained in the NEEDS and trade policy documents, has been geared to enhancing competitiveness of domestic industries, with a view to, inter alia, encouraging local value-added and promoting as well as diversifying exports (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). The mechanism adopted to this end is gradual liberalization of the trade regime. Thus, the government intends to liberalize the trade regime in a manner, which will ensure that the resultant domestic costs of adjustment do not outweigh the benefits. This is the fundamental basis on which to gauge the direction and implementation of policy. The clarion call is "steady liberalization". This addresses the question as to what is the kind of trade strategy the government has adopted in furtherance of its development agenda. Current reform

packages are therefore designed to allow a certain level of protection of domestic industries and enterprise. Concretely, this has translated into tariff escalation, with high effective rates in several sectors and lower import duties on raw materials and intermediate goods unavailable locally. Highly import duties on finished goods were the result of the policy perspective on finished goods which compete with local production (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). The summary of the above trade policies that has been adopted by government is highlighted bellow. Partial abolition of import license scheme, Granting of special tax incentives and tax holidays to enable local industries build up enough funds for expansion purposes and to encourage firms invest in economically disadvantaged areas. Reduction of corporate income tax rate and introduction of tax-free dividends, for foreign persons and to encourage local research and development (R&D). The Export Incentives Decree was promulgated in which various incentives to enhance export promotion were stipulated. The Export Credit Guarantee and Insurance Scheme was established to assist Nigerian Companies compete effectively in the international market. Government granted up to 140% tax relief to firms in respect of research and development (R&D) expenses in the development of raw materials (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

The Export Stimulation Loan (ESL) Scheme was put in place to provide foreign exchange producers that require imported inputs essential to the production of export products. Firms were allowed to open and maintain domiciliary accounts to keep their export earnings in foreign currencies (Hill, 2002). Several institutional support were put in place by the government through the establishment of Industrial Development Coordinating Committee, (IDCC), Industrial Data Bank, Raw Materials Research and Development Council, (RMRDC), Project Development Agency (PRODA), Federal Institute of Industrial Research (FIIRO), Export

Processing Zone (EPZ), Nigerian Investment Promotion Council. Simplification of industrial licensing and the exchange market was deregulated to enhance access of firms to foreign exchange. Devaluation and full convertibility of the Naira on trade account were embarked upon to bring it nearer to acceptable parity and make Nigerian products enhance greater profitability of Nigerian manufactured export (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

2.1.1.6 Historical Trends of Tax Policy in Nigeria

Nigeria is governed by a federal system, hence its fiscal operations also adhere to this system. This has serious implications on how the tax system is managed in the country. In Nigeria, the Government's fiscal power is based on a three-tier tax structure divided among the Federal, State, and Local Governments, each of which has different tax jurisdictions. As of 2002, about 40 (forty) different taxes and levies are shared by all three levels of government (Odusola, 2006). The Nigerian tax system is lopsided, and dominated by oil revenue. The most viable taxes are under the control of the Federal Government while the lower tiers are responsible for the less buoyant ones.

The first notable change in this modern trend was the Income Tax Management (Uniform Taxation Provisions) Decree No 7 of 1975. This unified reliefs and rates throughout the country, thus, resolving to some extent, the proliferation of various tax laws in the different states of the Federation.

The 1979 constitution vested the power to legislate on the taxation of income, profits and gains in the Federal Government with the effect that the various State tax laws were deemed to have become Federal tax laws. Subsequently, politics and sentiments dictated the action of Government. Pool tax, development rates, community tax and cattle tax were

abolished even in States where it eventually became difficult, if not impossible, to pay workers' salaries, due to political expediency.

But as a result of the oil glut and subsequent decline in Federal Revenue and Statutory Allocation, many states hurriedly passed Sales Tax Laws in order to increase internally generated revenue. The oil glut did not abate even after the civilian administration was overthrown by the Military on 31st December, 1983.

The Military Government that took over on 31st December, 1983 inherited substantial decline in the main revenue source of the nation, which is oil. Therefore, the various state governments were encouraged to find ways of increasing internally generated revenue. The first step was a nationwide reorganization of the Revenue Department and the declaration of an open war, unprecedented in the history of taxation in Nigeria, on the social evil known as 'tax evasion'.

With this freedom, many State Governments decided to improve existing revenue sources and break new grounds. Some State introduced Sales Tax, Business Premises Tax, Property Tax, Social Function or Merriment Tax, and Sand Dealer Tax, while some re-introduced Pool Tax. Therefore, in effect, income tax has now become one of the major sources of revenue of all governments and it has become a factor to be reckoned with in both Federal and State Governments budgets.

In 1985, the Federal Military Government promulgated the Miscellaneous Taxation Provision Decree, otherwise known as Decree 4. This law, among other things, increased personal allowance slightly, empowered tax authorities to request from any Bank any information about customers. From April 1, 1978, interest received by banks in respect of

loan granted for agricultural trade or business and from April 1, 1980, for purposes of manufacturing goods for export were, up to December 31,1990, exempted from tax on graduated rates which varied between 40% and 100% depending on repayment and grace periods. From January 1, 1991 such interest is fully exempted from tax provided the moratorium period is not less than 18 months and the rate of interest on the loan is not more than the ‘base lending rate’ (that is ‘weighted average of the cost of funds to a bank’) at the time the loan was granted.

In 1992, the Government introduced self assessment scheme, tax incentives to the Unit Trust to prevent double taxation and excess profit tax was abrogated. Furthermore, the 1992 amendments include: increase in personal income tax allowances, increase in the table of tax rates for personal income tax, introduction of rural investment allowance and treating Withholding Tax as an advance payment of tax – a reversal of the 1987 provision under the Income Tax Management Act. In 1993, the Personal Income Tax Decree 104 was promulgated which replaced the old Income Tax Management Act of 1961. The decree provided for increase in the table of rates for the taxation of individuals.

Nigeria tax law is purely statutory. The tax system thus features a wide and mixed range of statutes by which the various governments in the country seek to charge and collect revenue for public expenditure. Of these, the most widely based are on income taxation. Liability to personal income in Nigeria does not depend on the domicile or nationality of the tax payer. Profits arising from a trade, business, profession or vocation, from any source inside or outside Nigeria, are chargeable under the Personal Income Tax Decree 1993(as amended to date) if the taxpayer happens to be resident in Nigeria. Once a company is incorporated, it becomes a legal entity and is treated under Nigerian law as an artificial person, separate and distinct from its shareholders.

Corporate bodies are charged to tax under the Companies Income Tax Act of 1979 (as amended to date). However, while Nigerian companies are taxed on their worldwide income, foreign companies are liable only as regards the portion of their profits, which is attributable to business operations carried on in Nigeria. In addition to the company's income tax, all incorporated companies are required to pay 2% of their assessable profit into an Education Tax Fund in compliance with the Education Tax Act 1993 (as amended to date). Where a particular income or profit is chargeable to tax in Nigeria as well as in another country, there is a possibility of the taxpayer getting double taxation relief by way of tax credit under the provisions of the income tax statutes. To this end, the Federal Government of Nigeria has negotiated and signed income tax treaties with some foreign countries which are intended to boost investment. For instance, the Industrial Development (Income Tax Relief) Act 1971 makes provisions for the grant of relief to pioneer companies. The pioneer status is granted mainly to companies in any industry which in the opinion of the National Council of Ministers, is urgently needed to achieve rapid economic growth. Also, a company which has incurred expenditure on its qualifying building and plant equipment in approved manufacturing activity in an Export Processing Zone is granted 100% capital allowance in any year of assessment. This makes the cost of capital acquisition entirely deductible in the year in which the qualifying expenditure was incurred.

Nigeria ranks among the major oil producing countries of the world and much of its public revenue is generated from the sale of crude oil and natural gas. All petroleum resources belong to the federal government, hence, companies engaged in petroleum operations are charged to tax under a special legislation, the Petroleum Profit Tax Act 1959 (as amended to date). According to the Act, Petroleum operation is defined as "mining or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any

drilling, mining, extracting or other like operations or process not including refining at a refinery, in the course of a business carried on by the company engaged in such operations and all operations incidental thereto any of or any disposal of chargeable oil by or on behalf of the company". The effect of the Act is however varied by a Memorandum of Understanding (MOU) between the oil producing companies and the Federal Government of Nigeria. With this understanding, any profit which is charged to petroleum tax is exempted from companies' income tax.

The Capital Gains Tax Act 1967 (as amended to date) charges to tax any capital gain accrued to individuals and corporate bodies whenever an asset is disposed.

Value Added Tax Act of 1993 (as amended to date) provided that all purchasers of chargeable goods and services are expected to pay 5% of the purchase price as tax, the Value Added Tax Act is a federal statute and the tax is administered by the Federal Inland Revenue Service (an arm of the Federal Board of Inland Revenue) on behalf of the Federal, State and Local Governments. The proceeds are shared among the three tiers of government in accordance with a formula determine from time to time by the Federal legislature.

Another major source of revenue for the Federal Government is customs duty, which is payable by importers of specified goods. This tax is charged solely by the Federal Government and collected through the Nigeria Customs Service. Excise duty was levied on a variety of locally produced goods until 1998 when the tax was abolished. It was however partially reintroduced, with effect from January 1, 1999. The applicable law for customs and excise is the Customs and Excise Management Act 1958 (as amended to date).

The Stamp Duties Act 1939 (as amended to date) imposes tax on a wide range of documents and transactions. Where one of the parties is a corporate body, the tax is paid to the Federal Board of Inland Revenue. Others pay to the State tax authorities.

There are sundry levies and rates which local governments are authorized to collect. Notable here is the tenement rate payable annually on buildings situated within a particular local government area. This is levied by virtue of Tenement Rate Law of the various states. There is also a Development Levy payable at flat rate of N100 by individuals to the State governments. When real property is transferred, the relevant State government imposes some charges before the Governor grants his consent in accordance with the Land Use Act of 1978.

The Nigerian tax system features a mixture of direct and indirect taxes. All individuals, groups and corporate bodies that earned income, profits or gains, are affected, except for tenement rates payable on buildings, there is no tax on the ownership of capital assets. Capital gains tax is charged only when assets are disposed off at a profit. Virtually all the major taxes are within the exclusive legislative jurisdiction of the Federal Government, but the power to collect is often delegated to the States. The usual pattern is that federal authorities collect taxes from corporate bodies while States are allowed to collect from individuals and unincorporated groups. Even though local government authorities do not have substantive legislative powers, they charge and collect such rates and levies as may be authorized by statutes of the relevant State government.

2.1.2 Concept of Foreign Direct Investment

Hymer (1960) was the first economist who considered foreign direct investment as the defining feature of the multinational corporation and tried to explain it in terms of its relative advantages vis-à-vis other forms of foreign operations and Foreign Direct Investment is the distinctive

feature of multinational enterprises (or transnational corporations); a theory of foreign direct investment is a theory of multinational enterprise as an actor in the world economy (Hennart, 1982). Agiomirgianakis, Asteriou and Papathoma (2003) mention that FDI is mostly defined as capital flows resulting from the behaviour of multinational companies (MNCs). FDI is an investment made to acquire a lasting management interest (for instance 10% of voting stock) and at least 10% of equity shares in an enterprise operating in a country other than that of the investor's country (Mwillima, 2003; World Bank, 2007).

In the Federal Republic of Nigeria, foreign direct investment (FDI) is defined as investment undertaken by an enterprise that is either wholly or partly foreign-owned. The Investment Code that created the Nigerian Investment Promotion Commission (Decree No. 16 of 16th January, 1995) and the Foreign Exchange (Monitoring and Miscellaneous Provision) also enacted in 1995 give full legal backing for FDI in the country (United Nations Conference on Trade and Development (UNCTAD), 2006).

According to Uzoka (2012), foreign direct Investment is the inflow of foreign income into a particular economy through investment which involves multinational corporations. Njeru (2013) notes that FDI is the cross-border investment in which resident in one economy (the direct investor) acquires a lasting interest in an enterprise in another economy (the direct investment enterprise). OECD (2008) note that FDI is category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor.

The IMF definition of FDI thus includes as many as twelve different elements, namely: equity capital, reinvested earnings of foreign companies, inter-company debt transactions including

short-term and long-term loans, overseas commercial borrowings (financial leasing, trade credits, grants, bonds), non-cash acquisition of equity, investment made by foreign venture capital investors, earnings data of indirectly-held FDI enterprises, control premium, non-competition fee and so on (Srivastava, 2003).

FDI, defined in accordance with IMF guidelines, can take the form of green-field investment in a new establishment or merger and acquisition of an existing local enterprise. Undistributed profits of the subsidiary figure in FDI accounts, even though they may not strictly be used for investments. Negative FDI flows indicate the negativity of at least one of three components of FDI (equity capital, reinvested earnings or inter-company loans) that is not neutralized by positive amounts of the other components. These are thus the indications of disinvestment (Srivastava, 2003).

Foreign Direct Investment (FDI) has been defined as the investment of resources in business activities outside a firm's home country (Hill, Lester & Nordas, 2008). According to Nwankwo (2007), foreign investment is a type of investment whether in real or financial assets across the national boundaries of the investors with the aim of maximizing the objective function of the investors which can be undertaken by individuals, firms or the government. UNCTAD (2008) defines FDI as a long-term relationship between companies in the source country (the investor) and another company in the host country (country of investment).

Foreign direct investment, a major component of international capital flows, refers to investment by multinational companies with headquarters in developed countries (Miguel, 2006). Nwadike (2007) assert that foreign investment is a type of investment whether in real or financial assets across the national boundaries of the investors. Foreign Direct Investment is the

investment of resources in business activities outside a firm's home country (Hill, Lester & Nordas, 2008). Foreign direct investment is a component of international capital flows which is the investment by multinational companies with headquarters in developed countries (Miguel, 2006).

Saggi (2009) notes foreign direct investment is the movement of capital that ensured ownership and control of a firm in another country either developed or developing countries. Nwadike (2007) notes that foreign direct investment is investment in real or/and financial asset across the national boundaries of the investors. Montiel and Reinhart (2001) assert that Foreign Direct Investment is the movement of financial and human capital from abroad for investment in another country. Foreign Direct Investment (FDI) has been defined as the investment of resources in business activities outside a firm's home country (Hill, 2003).

Foreign Direct Investment refers to cross border investments made by residents and businesses from one country into another, with the aim of establishing a lasting interest in the company receiving investment (OECD, 2013). To them also, ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used. The United Nations Conference on Trade and Development (UNCTAD, 2008) defines FDI as a long term relationship between companies in the source country (the investor) and another company in the host country (country of investment). Blomsten (2004) views foreign direct investment as a foreign company's investment into commercial business activities by establishing manufacturing, services and production companies in the form of subsidiaries in a different country than the headquarters 'home.

World Bank (2016) asserts that foreign direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. As well as the equity that gives rise to control or influence, direct investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises (enterprises controlled by the same direct investor), debt (except selected debt), and reverse investment.

Implementation of the Balance of Payments Manual 6th Edition (BPM6) methodology has brought changes to the definition of direct investment by making it consistent with the OECD Benchmark Definition of Foreign Direct Investment, notably the recasting in terms of control and influence, treatment of chains of investment and fellow enterprises, and presentation on a gross asset and liability basis as well as according to the directional principle

World Bank (2002) notes that Inward Direct Investment, also called direct investment in the reporting economy, includes all liabilities and assets transferred between resident direct investment enterprises and their direct investors. It also covers transfers of assets and liabilities between resident and nonresident fellow enterprises, if the ultimate controlling parent is nonresident.

United Nations (2007) defines foreign direct investment (FDI) as an investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor. To them also, Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy

other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated. FDI may be undertaken by individuals as well as business entities.

UNCTAD (2014) notes that transnational corporations (TNCs) are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake. An equity capital stake of 10% or more of the ordinary shares or voting power for an incorporated enterprise, or equivalent for an unincorporated enterprise, is normally considered as the threshold for the control of assets. A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is a resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10% for an incorporated enterprise, or its equivalent for an unincorporated enterprise). To them, subsidiary enterprises, associate enterprises and branches – defined below enterprises and branches – defined below – are all referred to as foreign affiliates or affiliates. To them, a subsidiary is an incorporated enterprise in the host country in which another entity directly owns more than half of the shareholder’s voting power, and has the right to appoint or remove a majority of the members of the administrative, management or supervisory body. An associate is an incorporated enterprise in the host country in which an investor owns a total of at least 10%, but not more than half, of the shareholders’ voting power.

A branch is a wholly or jointly owned unincorporated enterprise in the host country which is one of the following: (i) a permanent establishment or office of the foreign investor; an unincorporated partnership or joint venture between the foreign direct investor and one or more third parties; (iii) land, structures (except structures owned by government entities), and /or immovable equipment and objects directly owned by a foreign resident; or (iv) mobile equipment (such as ships, aircraft, gas- or oil drilling rigs) operating within a country, other than that of the foreign investor, for at least one year.

IMF (2001) and OECD (1996) definitions is that direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). To them, lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. They also believes that direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

OECD (2008) defines Direct investment as a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor.

International Monetary Fund guidelines, define FDI as when an investor based in one country acquires an asset in another country with the intent to manage that asset (IMF, 1993, IMF & OECD, 2000). They also believes FDI is the category of international investment that reflects the objective of

a resident entity in one economy (“direct investor” or parent enterprise) obtaining a ‘lasting interest’ and control in an enterprise resident in another economy (“direct investment enterprise”). The two criteria incorporated in the notion of “lasting interest” are: the existence of a long-term relationship between the direct investor and the enterprise and, the significant degree of influence that gives the direct investor an effective voice in the management of the enterprise.

Morisset (2000) opines that foreign direct investment is a type of investment that involves the injection of foreign funds into an enterprise that operates in a different country of origin from the investor. Flows of foreign direct investment comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to an enterprise, or capital received from an investing enterprise by a foreign direct investor. FDI has three components: equity capital, reinvested earnings and intra-company loans (UNCTAD, 2012). These are equity capital, reinvested earnings of foreign companies (part of foreign investor profits that are not distributed to shareholders as dividends and are reinvested in the affiliates in the host country) and other capital associated with various inter-company debt transactions (Srivastava, 2003).

Also, Direct Investment can be classified as inward FDI or outward FDI depending on the direction of the flow of money. Inward FDI occurs when foreign capital is invested in local resources while outward FDI is also referred to as “direct investment abroad” (UNCTAD, 2007).

The study conceptualize foreign direct investment to mean investment by foreign firms or affiliate into the host country by transferring their capital, knowledge, expertise and technology into the host country in order to generate profit and paying certain economic obligation such as

taxes and also reinvesting their capital, providing equity capital to the host country and ensure good intra company loans.

2.1.2.1 Equity Capital

Equity capital constitutes the value of the MNC's investment in shares of an enterprise in a foreign country. Equity capital consists of non-cash, which again is in the form of tangible and intangible components such as technology fee, brand name etc. It comprises equity in branches, all shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities) and other capital contributions (Srivastava, 2003). An equity capital stake of 10 per cent or more of the ordinary shares or voting power in an incorporated enterprise, or its equivalent in an unincorporated enterprise, is normally considered as a threshold for the control of assets. If a shareholding of 10 per cent or more is acquired eventually by a non-resident who entered initially through the portfolio route but holds investment aggregating over 10 per cent through the purchase of additional shares in subsequent transactions, those additional shares should be regarded as a part of FDI (Srivastava, 2003).

Equity Capital is the foreign direct investor's purchase of shares of an enterprise in foreign country or direct provision of machinery (Ângelo, 2010). According to UNCTAD (2008), the Nigeria's investment law that governs the entry of FDI, allows 100% foreign ownership with equity participation in all sector with the exception of petroleum sector that is limited to existing joint ventures or new production sharing agreement. Equity capital comprising equity in branches, all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and are included under other direct investment capital) and other capital contributions such as provisions of machinery (Maitena & Banco, 2003).

2.1.2.1 Reinvested Earnings

Reinvested earnings consists of the sum of direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by subsidiaries or associates, and earnings of branches not remitted to the direct investor. According to IMF guidelines (2008), these reinvested earnings are a part of FDI inflows, and should be recorded as inflow on the capital account of host country's balance of payments.

Reinvested earnings or profit reinvestment of multinational subsidiaries refers to subsidiaries reinvesting their own retained earnings into the existing operations. Retained earnings are a type of internal equity financing, that is, internally generated financing sources (Nguyen & Rugman, 2015). Reinvested earnings are a major component of global foreign direct investment (FDI) flows. One third of inward FDI income is retained within host countries as reinvested earnings (UNCTAD, 2013). Reinvested earnings is within host countries and do not involve cross-border fund transfer compared to two other components of FDI, equity investments and intra-firm loans, which give rise to cross-border transactions (UNCTAD, 2015). Reinvested earnings are earnings of direct investment enterprises not distributed as dividends or profit. Reinvested earnings are calculated on the basis of net operating income of a direct investment enterprise in proportion to a foreign direct investor's share in its equity (IMF, 2008). Reinvested earnings are calculated for large companies that have non-residents among their shareholders who own at least ten percent share in their equity, either directly or through a chain of subsidiaries and associated companies connected to one another by ownership relations (OECD, 2008).

Reinvested Earnings comprise the direct investor's share of earnings not distributed as dividends by affiliates or not remitted to the direct investor (Ângelo, 2010). According to OECD (2000),

reinvested earnings are included in direct investment income because the earnings of the direct investment enterprise are deemed to be the income of the direct investor (proportionate to the direct investor's holding of equity in the direct investment enterprise), whether they are reinvested in the enterprise or remitted to the direct investor. According to the current international standards (2004), reinvested earnings (RIE) are considered as the income earned and saved by companies. A critical analysis of global FDI flows data issued by UNCTAD (2008) reported that Reinvested earnings accounted for about 30% of total FDI inflows as a result of increased profits of foreign affiliates, notably in developing countries.

2.1.2.1 Intra-Company Loans

Inter-company debt transactions include the short and long-term borrowing and lending of funds – including debt securities and suppliers' credits – between direct investors and subsidiaries, branches and associates. In sum, direct investment capital transactions include those operations that create or liquidate investments as well as those that serve to maintain, expand or reduce investments (Srivastava, 2003).

Intra-Company Loans or debt refers to borrowing or lending between the parent company and the foreign affiliate (Ângelo, 2010). Mwega (2007) observes that most developing countries are interested in FDI a source of capital for industrialisation. This is because FDI involves a long-term commitment to the host country and contributes significantly to the gross fixed capital formation. Intra company loans cover the borrowing and lending of funds, including debt securities and trade credits, between direct investors and direct investment enterprises and between two direct investment enterprises that share the same direct investor. As it has been

mentioned before, deposits and loans between affiliated deposit institutions are recorded as other investment rather than as direct investment (Maitena & Banco, 2003).

2.1.2.2 Controlled Variables

2.1.2.2.1 Corruption

Corruption is a canker worm that has reduced development in all sectors of the economy (Economic and Financial Crime Commission, 2005). The term corruption has been the primary reason behind the country difficulties in developing fast (Independent Corrupt Practices and Other Related Offences Commission, 2006). The World Bank (1996) defined corruption as the abuse of public power for private benefit. The Transparency International (2005) defined it as the abuse of entrusted power for private gain. Windsor and Getz (2000) broadly defined corruption as socially impermissible deviance from some public duty or more generally some ideal standard of conduct. Corruption also could be youth based among which includes cybercrime (yahoo-yahoo), thuggery, permutation, pilfering, drug peddling, paid assassins, kidnapping, prostitution, militancy, book-haram and 419 syndromes, plagiarisms among others. Otite (2000) defines corruption as perversion of integrity or state of affairs through bribery, favour or moral depravity” ... It takes place when at least two parties have interacted to change the structure or processes of society or the behaviour of functionaries in order to produce dishonest, unfaithful or defiled situations. In Asian Development Bank perspectives of corruption (2001) corruption is defined as the behaviour of public and private officers who improperly and unlawfully enrich themselves and/or those closely related to them, or induce others to do so, by misusing the position in which they are placed.

Corruption is defined as the abuse of public office for private gain, dishonesty for personal gain, dishonest exploitation of power for personal gain; depravity; and extreme immorality (Usman, 2011). It connotes the abuse of public roles or resources or the use of illegitimate forms of political power and influence, by public or private parties (Ogundiya, 2009). Lawal and victor (2012) argue that corruption is the biggest problems Nigeria has a bane to good governance, which has invariably translated into corrosive and perpetual poverty among the citizenry. This is as a result of the fact that the money that is supposed to be expended on social needs and infrastructures to engender development circulates among and within the few privileged and thereafter, taken abroad form investment. Corruption involves the injection of additional but improper transactions aimed at changing the normal course of events and altering judgments and positions of trust (Ojukwu & Shopeju, 2011). It consists of what the givers and receivers use as a means of informal, extral-legal or illegal acts to facilitate matters. Public debates recently in Nigeria have centered on the increasing rate of corruption resulting from inappropriate public finance planning and implementation mostly in some of the developing countries, Nigeria inclusive which in turn reduce the level of economic growth in the country (Nwankwo, 2014).

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infrastructures to engender development circulates among and within the few privileged and thereafter, taken abroad form investment.

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According to Transparency International (2010), corruption is the abuse of entrusted power for private gain. Corruption is a value concept which broadly defined means immorality, moral debasement and depravity. Ogundele and Opeifa (2004) describe corruption as consisting of several elements including deceit, trickery, cheating, intentional deception, dishonesty and the conscious premeditated action of a person or group of persons to alter the facts of a matter or transaction for the purpose of selfish personal gains. Corruption is perceived as detrimental to investment as it acts like a tax on investment by increasing the cost of doing business (Wei, 2000; Svensson & Fisman,2000). Some scholars refer to corruption as “sand” that makes it more difficult and costly to conduct foreign operations in such aspects as obtaining licenses and

permits (Habib & Zurawicki, 2002; Voyer & Beamish, 2004; Cuervo-Cazurra, 2008). In the international business (IB) discipline, the study of corruption only recently gained prominence as firms from developed countries engaged in operations in emerging and transition economies (Rodriguez, Siegel, Hillman & Eden, 2006). Corruption varies widely across different locations both in its scope in an economy, and in the level of uncertainty it creates (Uhlenbruck, Rodriguez, Doh & Eden, 2006).

2.1.2.2.1 Corruption Perception Index

Corruption Perception Index (CPI), published by "Transparency International" (TI), is considered the index most used in measuring corruption although it is described by some researchers as a subjective index (Abramo, 2008; Razafindrakoto & Roubaud, 2010; Rose & Mishler, 2010). The CPI ranks countries according to the degree of corruption perceived vis-a-vis civil servants and politicians. Note also an important feature of the TI CPI is providing the variance (standard deviation) of the its classification. Transparency International (TI) Corruption Perception Index is the most famous corruption index. This index is also considered as the most robust measure of corruption perceptions. However, since it precisely refers to perceptions, it inevitably faces some limitations. Henceforth, governance index hazards are well documented, a growing literature criticizes governance assessment (Arndt & Oman, 2006; Becker, Vlad & Nusser, 2007; Kaufmann & Kraay, 2008). The annual Corruption Perceptions Index (CPI) by Transparency International (TI) ranks countries and territories by their perceived levels of corruption and scores them on a scale of 0 to 100, where 0 means highly corrupt and 100 denotes being very clean.

2.1.2.2.2 Exchange Rate

Exchange rate is domestic currency price of a foreign currency, matter both in terms of their levels and their volatility. Exchange rate is the rate at which the naira is converted to another currency (Becks, 2011). Exchange rate is the rate at which the naira is converted to the US dollar. Asher (2012) opines that exchange rate is used to determine the level of output growth of the country. It is also the price of one currency in terms of another (Enekwe, Ordu & Nwoha, 2013).

The exchange rate is the rate at which one currency is exchanged for another. It is the price of one currency in terms of another currency (Jhingan, 2005). Exchange rate is referred to as nominal exchange rate when inflation effects are embodied in the rate and as the real exchange rate when inflation influences have not been factored in the rate (Pugel, 2007). To him, there are fixed and floating exchange rate systems. Fixed exchange rates are meant to be fixed for a specified period of time. On the other hand, floating exchange rates move up and down from year to year, week to week, and minute by minute (Clark, Tamirisa & Shang-Jin, 2004).

Under a fixed exchange rate regime, the rise and fall of the exchange rate are referred to as exchange rate devaluation and exchange rate revaluation (Sadoulet & Janvry, 1995). Nevertheless, fixed exchange rates are frequently devalued or revalued, implying that they can change over time and may also be volatile. A wide variety of factors influence the exchange rate, such as interest rates, inflation and the state of politics and the economy in each country (Pugel, 2007). Exchange rate is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time

Exchange rate is termed as the particular value of a certain currency when compared with another. It is obtained when one currency is exchanged or converted to another, thus its value may either increase or reduce (O'Sullivan & Sheffrin, 2003). This often results in foreign exchange risk whereby the company's performance is highly likely to be affected by changes in the foreign exchange market (Ahmed, 2015). The foreign exchange rate constitutes an integral part in any international business transactions both in the developed and developing countries. Ngereboa and Ibe (2013) assert that exchange rate is the ratio between a unit of one currency and the amount of another currency for which that unit can be exchanged at a particular time.

An exchange rate can be defined as the price of one currency in terms of another (Mishkin & Eakins, 2009). An exchange rate can either be a direct or an indirect quotation. A direct quotation refers to how much of the home currency can buy a unit of the foreign currency while an indirect quotation is how much of the foreign currency is obtainable from a unit of the home currency (Howells & Bain, 2007). Exchange rate is said to be the nominal exchange rate when it includes inflationary effects and is referred to as the real exchange rate when inflationary effects are excluded (Lothian & Taylor, 1997). Prior to 1972, nearly all countries in the world operated on a fixed exchange rate system whereby their individual country's currencies had a fixed rate relative to the US dollar.

Danson, Ganesh and Pundo (2012) simply define exchange rate as the rate at which a currency may be converted into another currency. That is, it determines how much the residents of a country pay for imported goods and services, and how much they receive for exported goods and services (Dickson, 2012). Marrewijk (2005) asserts that it is the price of one currency relative to another currency, or equivalently the price of foreign money expressed in domestic money. Thus,

exchange rate is a conversion factor, a multiplier or a ratio, depending on the direction of conversion.

In the Nigerian situation, it is the units of naira needed to purchase one unit of another country's currency (e.g. the United States dollar). That is, the value of the naira in terms of the dollar or pounds sterling in the cases of the United States (U.S) or United Kingdom (U.K) respectively (CBN,2013).

2.1.2.3 Brief History of MNCS in Nigeria

The earliest MNCs entered the Nigerian jurisdiction during the colonial period under the British. It may therefore be instructive to note the trend of domestic law from this period in order to appreciate the dynamics of domestic regulations as regards MNCs. Nigeria is a former British colony and the British colonial administration established the basis of the modern Nigerian legal and institutional framework. One of the major aims of the British colonial administration was to make the colonies self sufficient and at the same time, profitable (Aghalino, 2009).

This aim influenced major decisions that were taken in the country, which was later impact on the operations of corporations in those early days. A significant early development was that in 1900 all mineral rights were nationalized and vested in the British crown and in 1907, contrary to widespread traditional practices of communal landholding, all lands were also nationalized and vested in the British crown. Aghalino, (2009) said that the policies of the colonial administration gave the pioneer British companies a free space in which to operate. The companies operated under a favourable legal regime because of their links to the colonial power which legislated for the country. Oguniyi (2010) asserted that during the colonial era and before the discovery of oil, the most important mineral resource produced in Nigeria was tin. To him, to exploit this resource

a British company, the Niger Company, set up the Naraguta Tin Mining Company under the charge of an engineer, HW Laws.

In 1904, HW Laws led a military campaign on the location of the resource, the Jos Plateau, and took control of the area from indigenous people who were actively engaged in mining activities in the area. Though there was no official policy statement by the colonial government as to the displacement of indigenous people by the company, Lord Lugard, the head of the British administration in Nigeria stated that: “Minerals can only be discovered and exploited by the science and capital of Europeans, and to them the government can provide at once more security and more control than native chiefs and can allocate the royalties for the good of the country as a whole.” (Hill, 2002).

Oil prospecting started in Nigeria in 1906. (Hill, 2002). However, no legislation was introduced to govern the oil industry until the end of 1914 with the introduction of the Oil Ordinance no 17. Under this law, oil exploration and exploitation was limited to British citizens and British companies (Oguniyi, 2010). In 1937, an exploration licence covering the whole mainland of Nigeria was granted to Shell-BP.¹³ The area covered was 357,000 square miles. The company was able to explore and select 15,000 square miles of the original concession without competition, thus securing a first mover advantage over later entrants (Kaniye, 2001). The company discovered oil in commercial quantity in 1958 in Oloibiri in the present Rivers State. By 1959, on the brink of Nigeria’s independence, the sole-concessionary right granted to Shell-BP had been reviewed and companies of other western nationalities were brought into the field. Such companies include Mobil, Gulf, Agip, Safrap (now Elf), Tenneco and Amoseas (now Texaco and Chevron). Kaniye (2001) asserts that Under the Petroleum Profits Tax Ordinance,

introduced in 1959, an equal share of profit between the companies and the country was introduced for the first time

Nigeria became independent in 1960 and legislative changes were introduced that somewhat altered the status quo. Shell-BP for example, as indicated above, had to surrender some of its oil concessions and other MNCs were allowed into the field. Independence brought many more changes. Legislation was brought in to control some aspects of the operations of foreign companies including a number of major initiatives. The Exchange Control Act of 1962 set out the rules for investing non-resident capital in Nigerian businesses and defined methods for transfer ring foreign interests to non-residents and residents. Section 10(1)(a) of the act significantly restricted foreign exchange transactions in Nigeria by providing that: “No person shall, except with the permission of the Minister (a) transfer any security or create or transfer any interest in a security, to or in favour of a person resident outside Nigeria”. The act thereby restricted the ability of foreigners, including corporations, to enter the Nigerian market. The act further restricted repatriation of foreign investment without the authorities’ approval(Hill, 2002).

Similarly the Nigerian Immigration Act of 1963 required a foreigner to obtain permission to set up or operate a limited liability company. A major development was the introduction by a military government in 1968 of the first local company law after independence. The Companies Act introduced the requirement for a foreign corporation to reincorporate as a Nigerian company before it could operate in Nigeria. This requirement is still part of Nigerian law (Kaniye, 2001)

Today MNCs dominate major sectors of the Nigerian economy, including manufacturing, construction, petrochemicals and telecommunication. However their impact is most felt in the oil production and extraction industry. Nigeria is currently the largest producer of crude petroleum

in Africa, the fifth largest producer within the Organization of the Petroleum Exporting Countries (“OPEC”) and the eighth largest exporter of crude oil in the world. Today Nigeria earns over 95 per cent of its export revenue from the oil and gas sector, accounting for over 40 per cent of gross domestic product. The major MNCs in today’s Nigeria include the Anglo-Dutch Royal Shell (“Shell”), which is the largest oil producer in Nigeria producing more than 40 per cent of Nigeria’s total output(Hill, 2002).

There are also the United States domiciled corporations, Exxon-Mobil and Chevron/Texaco, which produce about 38 percent of Nigeria’s output. Other US corporations in Nigeria are Ashland, Sun Oil and Conoco. In addition there are France’s Total, Italy’s Agip International, Norway’s Statoil and South Africa’s Sasol. All the foreign MNCs in the oil and gas sector operate in joint venture partnership with the Nigerian National Petroleum Corporation (“NNPC”), a statutorily established, state-owned corporation(Kaniye, 2001). A closer look at the structure of a typical MNC would reveal the following: a parent company in Europe or the United States; and subsidiaries incorporated as Nigerian corporations which engage in joint venture partnerships with the federal government of Nigeria through the NNPC, typically in a ratio of 55–60 percent to the government and 40–45 per cent to the corporation. The shareholders of the parent company are usually in the countries of the north, usually the United States and Europe (Kaniye, 2001). The MNC maintains managerial control of the enterprise. The government contributes by making policy to attract their investment in Nigeria.

Conceptual Framework

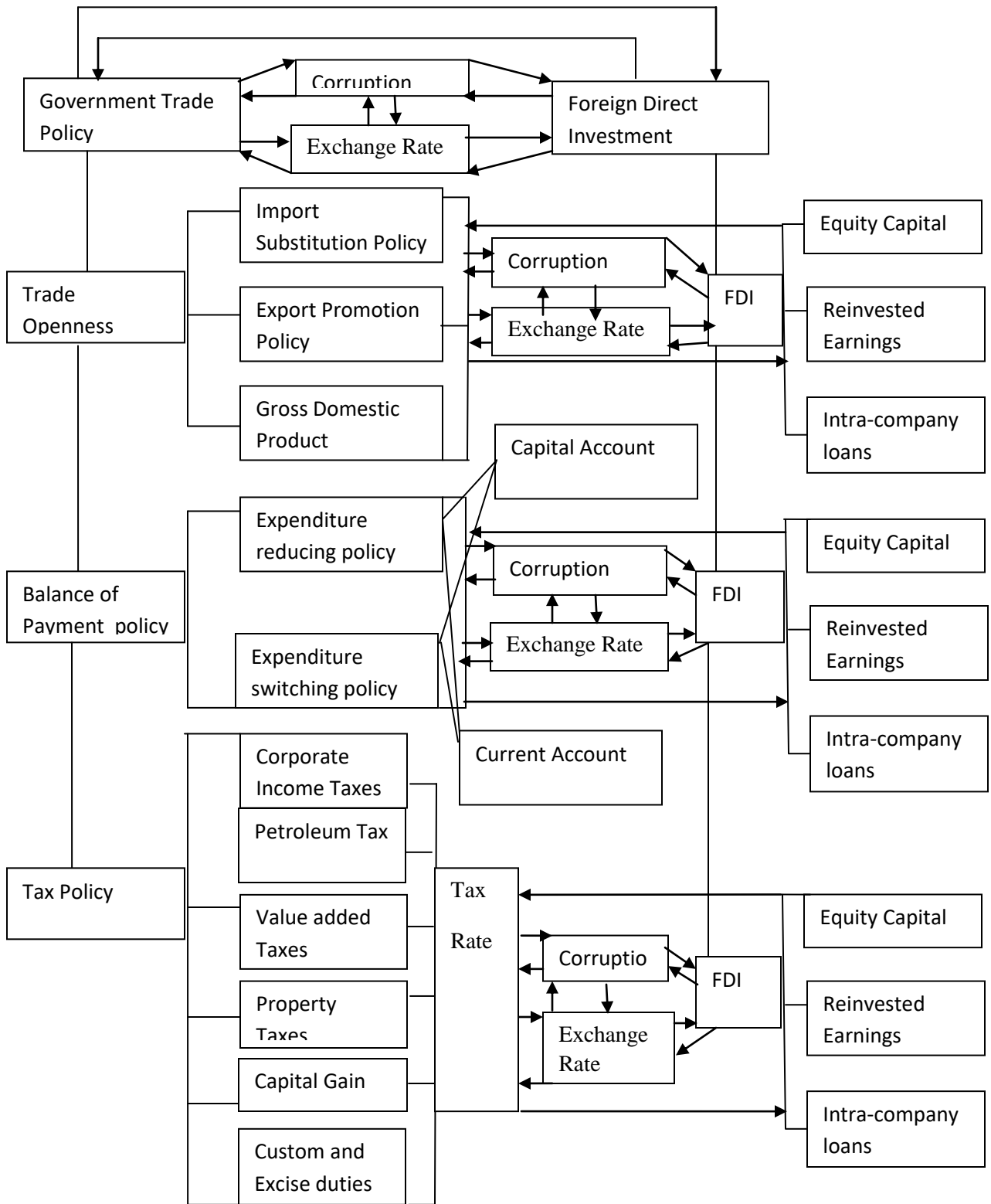


Fig 1. 1: Source: Researcher Model of Government Trade Policies and MNCs, 2018

The model is developed by the researcher to conceptualize government trade policies and foreign direct investment. The model is called casual inflow theory of government trade policies and foreign direct investment. It implies that the government trade policies attracts foreign direct investment while foreign direct investment attract government trade policies. The model also incorporated exchange rate and corruption which implies that foreign direct investment are influenced by corruption and corruption also affects government trade policies. Also, government trade policies are attracted by exchange rate and exchange rate is attracted by foreign direct investment. The model states that government trade policies such as trade openness inform of import substitution policy, export promotion policy and gross domestic product policy can eventually attract foreign direct investment which are also classified as equity capital, reinvested earnings and intra company loans.

The model also explains that foreign direct investment inflows in any developed or developing countries of the world can directly or indirectly attract government trade policy in terms of trade openness inform of import substitution policy, export promotion policy and gross domestic product policy. This implies that government of any country make import policy to attract foreign investors by restricting some goods to be imported in such country and this ensure that foreign investors coming into Nigeria can actually produce their goods and service in order to remain in the country. The foreign direct investment also ensure that they produce similar goods and services that can be imported into the host country in order to enable the government protects their interest by restricting such importation.

Therefore, the kind of relationship that exists between import policy and foreign direct investment in any developed or developing countries of the world is bi-directional relationship.

Government also promotes export of goods and services by allowing foreign investors and local investors to exchange goods and services or ideas in a way that benefits both countries that enter in trade. Government made adequate policy to account for all the goods and services produced in host country by foreigners and host communities. This is to enable proper account for the one produced by foreign investors and to ensure that goods and services consumes by host country in addition to investment. The model notes that government trade policy of import and export can allowed foreign direct investors or multinational subsidiaries to reinvest their own earnings into the existing operations in the host country and foreign direct investment that also provide equity capital by purchasing of shares of an enterprise in foreign country or direct provision of machinery into the host country. The government trade policies of import and export can ensure that foreign direct investment borrowed or lend between the parent company and the foreign affiliate to grow the host country economy.

The model also believes that government trade policies in terms of balance of payment allowed systematic record of all economic transactions between the residents of the reporting country and residents of foreign countries during a given period of time and this policy of reporting the all transitions of the FDI inflow into the host country attract foreign investors in the economy. The foreign direct investors knowing well that their transactions are noted and secure, invest their equity capital, reinvestment earnings and intra-company loans in order to repeatedly attract government trade policies on balance of payment, in terms of expenditure reducing policy and expenditure switching policy. The current account covers all transactions that involve economic values and occur between resident and nonresident entities while capital account is capital transfers and acquisition/disposal of non-produced and non financial assets inflow into the host country.

Government also ensured that they make trade policy in terms of tax policy in order to attract foreign direct investment into their economy. The tax policy (tax rate) such as Capital Gain Taxes, company income taxes, property taxes, petroleum tax, value added taxes, Custom and Excise duties are policies that attract foreign direct investment in any given country. The foreign direct investment with adequate equity capital, reinvest earnings and intra-company loans also attract government tax policy by ensuring that government of the host country that either reduced the taxes to enable foreign direct investors to invest their equity capital, reinvest earnings and intra-company loans into the host country economy.

2.2 Review of Empirical Studies

Baghebo and Koginam (2015) empirically examined Private investment behavior in eras of trade policy reforms in the country using secondary data. The dummy variable of 1 was used to represent trade policy reforms from 1986-2003 and 0 to represent other years. The stationary status of the data series was investigated. The ordinary least squares regression was used to determine the impact of trade policy on private investment behavior. The response of private investment to trade policy was very slow about 0.35 percent. This could be as a result of a lack of credibility and sustainability of trade policies experienced by investors over the years. Investors may prefer to wait and look attitude". Causality runs unidirectional from Trade policy to Private investment.

The above study used secondary data but failed to indicate the population of the study. The study also failed to show the sample size of the study. The study used regression which may not provide an adequate result of the study. The use of regression was to ascertain the cause and effect relationship between the dependent and independent variables. The study used co-

integration, granger casualty test but failed to state it in the methodology and only indicate it in the findings. The study could have explained the co-integration and vector error correction model in the analysis.

Sharma and Kau (2013) examined the causal relationships between FDI and trade (i.e Exports and Imports) in India and China. Granger causality test has been employed to examine the causal relationship between FDI and trade by using the data over the period of 1976-2011. The results for China show unidirectional causality running from FDI to imports and FDI to exports, however, there exist bidirectional causality between imports and exports. India gives the results which are not similar to China where bidirectional causality between FDI and imports; FDI and exports; and exports and imports have been found.

The above study used a period of 1976 to 2011 and was conducted in India and China but this study can be studied in Nigeria using the oil and gas sector in Nigeria from a period that is current, which is from 1970-2017. The study failed to indicate the population of the study and the sample size of the study.

Jayachandran and Seilan (2010) investigated the relationship between Trade, Foreign Direct Investment (FDI) and economic growth for India over the period 1970-2007. The present analysis focuses on India, where the growth of FDI has been the most pronounced. The Cointegration analysis suggested that there is a long-run equilibrium relationship. The results of the Granger causality test showed that there is a causal relationship between the examined variables. Economic growth, trade, and FDI appear to be mutually reinforcing under the open-door policy.

The above study was conducted in India but failed to indicate the sector which the study was addressed to and also used three variables to conduct the study. However, a similar study can be applied in Nigeria using foreign direct investment in the oil and gas sector. The study used co-integration to estimate the long-run relationship between the dependent and independent variable which was very unique. The study also used Granger causality test to indicate the direction of the effector which variables affect the other which was very good.

Wadad (2013) empirically investigated the causal relationship between trade services (export and import), foreign direct investment inflows (FDI) and economic growth of Lebanon over the period 1971-2011. To do so, the Johansen cointegration procedure and Granger causality test were used. The cointegration analysis suggested that there is a long equilibrium relationship between foreign direct investment and economic growth. The results of the Granger causality test show that there are bidirectional causal relationships among export, import, and economic growth. However, there is no causal relationship between foreign direct investment and any other variable in the short term.

The above study was conducted in Lebanon but to reference it a particular sector and similar study can be conducted in Nigeria using foreign direct investment in the oil and gas sector. The study failed to indicate the population of the study and the sample size of the study. The study used co-integration and Granger causality to show the long run relationship between the variables as well as the causal effect relationship between the variables.

Bhatt (2013) studied foreign trade and investment dimensions of Vietnam in comparison with its competitors such as Indonesia, Malaysia, Philippines, Singapore, and Thailand as also to study the role of FDI to the growth of exports in Vietnam. The vector autoregression model (VAR) is

adapted to estimate the long run causal relationship among exports, foreign direct investment, and GDP. The cointegration test result shows that there exists a long-run equilibrium relationship among exports, FDI and GDP. It is found from the estimated Error Correction Model that FDI is a significant variable and the result indicates that 1% increase in FDI will lead to 0.25% increase in exports with one-year time gap. Granger Causality Test indicates that there is a unilateral relationship between exports and FDI and the direction is from FDI to exports which means that FDI causes exports.

The above study was conducted in Indonesia, Malaysia, Philippines, Singapore, and Thailand but a similar study can be conducted in Nigeria using foreign direct investment oil and gas sector in Nigeria. The study failed to indicate the population of the study and the sample size of the study. The study used Granger causality test and co-integration to study the variables which were unique.

Gizem, Ozgur, Merve and Burc (2017) aimed to observe the long run and short run effects of gross domestic product, foreign direct investment inflows and trade on CO₂ emissions and causality relationships between these factors, using annual data for the period of 1974-2010. The empirical results demonstrate that the inverted U -shaped relationship of the environmental Kuznets curve is valid for Turkey. In addition, there are positive long-run effects of foreign direct investment and trade openness on CO₂ emissions. The authors also find a bidirectional causality relationship between CO₂emission and FDI.

The above study was conducted using FDI in Turkey and the study is not current compared to this study and similar to can increase the number of years to 2017 which is very current. The

study failed to indicate the statistical tool adopted in the study. The study could have used co-integration and Granger causality test to study the variables.

Kiran (2011) investigated the empirical evidence on the link between foreign direct investment and trade (export and import) in Turkey over the period from 1992 to 2008 by using the minimum LM unit root test for stationarity; Granger and Dolado-Lüthkepohl tests for causality. The test results based on the bi-variate VAR model indicate that there is no evidence of causality between foreign direct investment and trade in Turkey.

The above study was conducted in Turkey and a similar study can be conducted in Nigeria using the oil and gas sector. However, the study failed to indicate the population of the study and the sample size of the study. The study used the Granger causality test to established a causal effect relationship between the variables which was very good.

2.2.1 Trade Openness and foreign Direct Investment

Panagiotis and Konstantinos (2011) examined the impact of Trade Openness for attracting foreign direct investment in inflows using a sample of 6 developing economies for the period of 1990-2008. They used direct test of causality and region of Latin America, Asia and Africa, commonwealth of independent states and Eastern Europe, while trade openness was measure using eight indicators. The study used panel regression and found that there is a long run relationship between variables but noted that trade openness contributes positively to the inflows of FDI in developing economies.

The above study was conducted using developing economies such as Latin America, Asia and Africa, Commonwealth of independent states and Eastern Europe. The study could have

concentrated on one continent like Latin America. The study did not indicate the software used in analyzing the data but used panel regression which is perfect in determining the cause and effect of the variables.

Sazali, Bakar, Huey and Ghazali (2018) examined the causal relationships between trade openness and foreign direct investment (FDI) in Malaysia using annual time series data. Throughout this study, the exchange rate and economic growth acted as the control variables. Data were collected from 1977 to 2015 and were analysed using the unit root test and the Granger causality test. The autoregressive model was employed to remove autocorrelation from rising in this model. The result of the Granger causality test indicated that there was a unidirectional causality between trade openness and FDI. It also showed that trade openness has a positive and significant impact on the FDI. All independent variables, namely, exchange rate, economic growth and trade openness, were significant in explaining FDI inflows in Malaysia. Therefore, this study has concluded that a good combination of these independent variables would attract more inflows of FDI into Malaysia. In addition, the Malaysian government has to implement policies that favour trade openness, such as reducing trade barriers, to encourage more FDI inflows into Malaysia to promote higher economic growth.

Kunofiwa (2015) focused on the causal relation between trade openness and foreign direct investment (FDI) in Zimbabwe. The choice for the country came about due to the consideration that such an area on trade openness and FDI has not been adequately covered in Zimbabwe. In the absence of consensus in the literature about the causal relation between trade openness and FDI, it has been found not to be easy to formulate effective FDI and international trade policies. Scores of researchers have failed to agree on the causality relationship between trade openness and FDI. Some have said trade openness boost FDI inflow while other researchers, though few

are of the opinion that it is FDI that accelerates trade openness of the host country. On the other hand, some authors maintain that both FDI and trade openness affect each other whilst others says no relationship exist between the two variables. Using the ARDL (Autoregressive distributed lag)-bounds testing approach, this study find that there is no long run relationship between FDI and trade openness in Zimbabwe.

William, Emmanuel and Abass (2013) studied develops a new measure of Trade Openness. Principal component analysis was employed to generate an index to capture trade policy openness. The study used cost of exporting and importing as well as the number of days and the number of documentation it takes to complete a trade transaction (both import and export) in doing business indicators dataset to create an index for trade policy openness. This provides a better measure of trade openness compared with the traditional measure of trade openness which takes into the volume of trade. The traditional measure of trade openness may be affected by more than ordinary trade policy of an economy. Other factors such as access to foreign markets, the size of the internal market and the size of the economy can probably affect the trade to GDP ratio. However trade policy openness is free of these problems. The study employed both static and dynamic panel estimation technique to analyse the relationship between trade policy openness and FDI inflow for 29 sub Saharan African countries. The result from the study indicates that, policy openness affect FDI inflows positively.

This study was conducted in sub Saharan African countries and use trade policy measure of import, export and gross domestic product but failed to look at the bidirectional relationship that may exist between variables. The study adopted dynamic panel estimation technique which is not correct and also failed to indicate the statistical software tool use in the analyzing the data.

Mebratu, Renshui and Jihong (2014) studied uses annual balanced panel data for 25 sub-Saharan African economies over the period 1977-2009 to investigate the Granger causality relationship between trade openness and foreign direct investment (FDI) for the region. They took advantage of recent developments in econometric testing techniques for Granger and non causality heterogeneous panels that takes into consideration the effects of cross section dependence across the units of the panel data set to analyse the trade–(FDI) nexus in the region. The empirical result of this study revealed a bidirectional causal relationship between trade openness and foreign direct investment in sub-Saharan economies.

The above study is current but did not address bidirectional inflow of trade openness and foreign direct investment in sub-Saharan economies. The study used only Granger causality test to established if there is a long run relationship between trade openness and foreign direct investment (FDI) for the region but failed to realized that testing unit root test will determine perfect tools to adopt in this kind of problem.

N'guessan and Yue (2010) examined the long-run impact of foreign direct investment and trade openness on economic growth in Cote d'Ivoire. To assess this purpose, the study used the more recent data analysis technique, the bounds testing, cointegration approach and the VAR Granger causality/Block Exogeneity Wald tests. The data spanned for the study is from 1980-2007. Amongst the key results it is found: a long run relationship between the foreign direct investment, trade openness and output; and the VAR Granger causality/Block Exogeneity Wald tests reveals unidirectional causal relationship running from foreign direct investment, trade openness to output and from output, foreign direct investment to trade openness. Both foreign direct investment and trade openness are significant in explaining output growth in Cote d'Ivoire.

The study was conducted in Cote d'Ivoire and used a period of 1980 to 2007. Further studies can be addressed using more years to study similar research. The study used VAR Granger causality, cointegration approach and Johansen exogeneity Wald test, but could not use unit root test to understand the order of integration in order to apply co-integration to estimate long run relationship of the variables.

Ali (2016) examined the relationship between Foreign Direct Investment inflows and trade openness in the South Asian economies. In literature there had been diversification about this relationship. Some studies approved positive and significance relationship between FDI and Trade Openness and some found it insignificant. Our study examined the relationship of 7 countries for the period of 12 years (1998 to 2010) with panel data. He used random effects were estimation. Trade openness was measured by three indicators, in terms of imports, exports and a joint combination of both the factors. The results suggested that there is significance relationship between trade openness and foreign direct investment inflows. Trade openness has positive and significance effect for FDI inflows in South Asian countries.

The study was conducted in South Asian economies using 12 years to study foreign direct investment and trade openness. The study variable was measured in terms of imports, exports and a joint combination of both the factors which is not in line with the measure of trade openness. The study did not use regression, correlation, or vector error correction model (VECM) to ascertain the bidirectional relationship between variables.

Tonia and Margaret (2006) investigated the impact of openness to trade on the FDI inflow to Africa. In addition to economy-wide trade openness, they also analyse the impact on FDI of openness in manufactured goods, primary commodities and services. The empirical work used

cross-country data from selected African countries observed over four periods: 1980-1985, 1985-1990, 1990- 1995 and 1995-2001. They found that the FDI to GDP ratio responds well to increased openness in the whole economy and in the services sector in particular.

The study could have specifically stated which part of Africa the study addressed and using Africa as a whole is what makes the research very robust. The study used four periods of 1980-1985, 1985-1990, 1990- 1995 and 1995-2001 but failed to indicate the findings of each period in the study. The study did not state how GDP ratio came in to the research and how trade openness was measured.

Baharom, Habibullah and Royfaizal (2008) examined the role of trade openness and foreign direct investment in influencing economic growth in Malaysia during 1975-2005, using Bounds testing approach. The empirical results demonstrated that trade openness is positively associated and statistically significant determinant of growth, both in short run and the long run. The result also suggested that foreign direct investment is positively associated in the short run and negatively associated in the long run, both significantly. Besides these two variables, the other control variable namely exchange rate is also significant in the short run as well as in the long run.

The above study was conducted in Malaysia but adopted Bounds testing and the period of study was from 1975 to 2005 which is not current compared to this research work. The study did not indicate the population of the study and only tested for long run and short run relationship. The study would only have used cointegration method and Granger causality test to estimate the long run and short run relationship of the variables.

Stela (2016) analysed the trend of globalisation, trade openness and foreign direct investments (FDI) in Romania and the link between them in the last 25 years. Data from UNCTAD, World Bank and KOF globalisation index were used in econometrical models testing the link between globalisation, trade openness and foreign direct investment. A strong positive and statistical validated link is found between globalisation and FDI, between trade openness and FDI, and between FDI and globalisation. In the context of Romanian economy, these three phenomena are interrelated and each of them is acting to potentiate the effect of the other. Moreover, a multivariate regression analysis emphasized the dependency between globalisation index and foreign direct investment, trade openness and market capitalisation.

The study lacked measure to address the problems and selection of research topic, because globalisation measure is the same as trade openness. The study was conducted in Romania. The study use only multivariate regression analysis without applying correlation also. The correlation could have indicated the association between the variables.

Mumtaz and Yahya (2016) evaluated the proposition that trade liberalisation is instrumental in pulling FDI inflows to emerging economies. Using panel random effects model on annual data of 6 emerging countries including Brazil, China, India, Mexico, Russian Federation and Turkey from 1996 to 2014, it is found that liberalisation of trade and investment regime measured by trade agreements significantly affect the multinationals' overseas investment decision. Market size, development level and human capital, considered essential by foreign investors, also have a significant positive effect on incoming FDI. Preferential and regional trade agreements increase the openness of a country's economic and investment borders. They reduce duties, taxes, tariffs as well as the inflexibility in regime policies vis-à-vis foreign firm operations. This usually ensue

trade and investment liberalisation and consequentially has a positive impact on FDI inflows to these nations. Among trade agreements, only the preferential trade agreement is found to be significantly positive.

The above study adopted emerging economies such as Brazil, China, India, Mexico, Russian Federation and Turkey to study but the problem is that these countries problems cannot be addressed by one research in order to have effective result. The study was from 1996 to 2014 which is current but panel random effects model used in the study was wrong because the study could have address the long run relationship and short run relationship of this study.

Bhatt (2013) studied foreign trade and investment dimensions of Vietnam in comparison with its competitors such as Indonesia, Malaysia, Philippines, Singapore and Thailand as also to study the role of FDI to the growth of exports in Vietnam. Vector autoregression model (VAR) is adopted to estimate the long run causal relationship among exports, foreign direct investment and GDP. The cointegration test result shows that there exist a long run equilibrium relationship among exports, FDI and GDP. It is found from the estimated Error Correction Model that FDI is a significant variable and the result indicates that 1% increase in FDI will lead to 0.25% increase in exports with one year time gap. Granger Causality Test indicates that there is a unilateral relationship between exports and FDI and the direction is from FDI to exports which mean that FDI causes exports.

The above study is current and used Vector Autoregression Model (VAR) as well as Error Correction Model and Granger Causality Test. The statistical tools used were very unique in

determining the causal relationship between the variables. The study failed to indicate the population of the study.

Arshad (2012) examined the long run relationship among Foreign Direct Investment, Trade (Imports & Exports) and Economic growth for Pakistan. The co-integrating VAR framework is used to find the relationship over the period of 1965 to 2005. The results showed that there are two long run relationships that exist between GDP, Imports and Exports and FDI. First, long run relationship showed that both imports and exports affect GDP but FDI has insignificant effect on GDP. Secondly, long run relationship showed that both imports and exports affect FDI but GDP is not significantly affecting FDI. It means that FDI and GDP have no effect on each other in long run. Granger causality test shows that FDI does not cause the GDP, but GDP cause FDI but GDP cause FDI. Exports and FDI does not granger cause each other in the short run. The insignificant effect of FDI on GDP suggested to us to check the nature of relationship between FDI and Domestic investment. The results showed that FDI has no effect on domestic investment.

The above study is current and used Granger causality test to indicate the direction of movement of the variable. The study also used co-integration to estimate the long run relationship between the variables but failed to establish the population of the study and software statistical package adopted in running the analysis.

Abdullahi, Enjiang and George (2003) evaluated on the effect of exports, FDI and imports on economic growth in SSA, using the new autoregressive distributed lag (ARDL) approach and Pedroni estimation procedure which also allowed for heterogeneity across individual countries. It

is found that exports and FDI have significant impact on economic growth. Granger-type causality tests show the interrelatedness of exports, FDI, imports and income variables. The results also provided some evidence of existence of a two-stage causal chain of exports, imports and income.

The study used two interdependent variables and it may be very difficult to obtain good results since the variables are many. The study used Granger Causality Test, but the study could have used regression, correlation and co-integration test to establish a long run relationship between the variables.

Muhammad (2013) empirically investigated that FDI and trade are complemented or substituted for Pakistan. He used the secondary data for the variables selected from host country, Pakistan, reliable data have been collected and verified by going through various sources like US census bureau, Bank, WDI and IMF. The time series data for 21 years was collected from 1988 to 2009. He used least square methodology and four models were developed using Δ imports and Δ exports as dependent variables whereas FDI total and FDI in industry and manufacturing sector as independent variables. He used individual t-test and interpretation of the β_1 has been developed. This study revealed that FDI has increased the production at industry level and has enhanced the exports of Pakistan. On the other hand the FDI has developed various industries of Pakistan like telecom, food and oil and gas exploration fields.

The study did not state the statistical software package used in analyzing the data. The study only used t-test which was to estimate the significant level of independent variable on the dependent variable. The study could have used Vector Error Correction Model and also employ co-integration in analyzing the data.

Muhammad and Se (2016) studied Export-Import and Foreign Direct Investment (FDI) using Indonesian economic. They used Vector Error Correction Mechanism (VECM), Granger, co-integration and stationarity test of ADF. They also used e-view and M-excel to analyse the data. they found that there is a one-way relationship between FDI and export in which the value changes FDL affect changes in the value of exports. In the short term, the increase in the value of FDI causes a decrease in the value of exports. While in the long term, the increase in value will cause a rise in the value of exports. It is caused by the nature of FDI which is an investment in long-term oriented so that the benefits to the economy, including export performance can be obtained in the long term.

The above study is very current and was conducted in Indonesia by evaluating Indonesian economic using Vector Error Correction Mechanism, Granger, Co-integration and stationarity test which are very unique in determining the causal relationship between the variables. The study did not indicate the population of the study or the sample size of the study.

Uzma, Munazah and Afaq (2012) investigated the relationship between foreign direct investment (FDI) and imports demand as well as between foreign direct investment (FDI) and exports supply of Pakistan for the time span of 37 years range (1973 to 2009). Their analysis emphasized on the existence of long run equilibrium relationship between FDI and imports demand & exports supply of Pakistan using econometric techniques (Co-integration Analysis and Error correction mechanism). The co-integration analysis of import demand showed stable at long run equilibrium relation-ship between real import and FDI results of export which expressed that FDI has positive relation with real exports in the long run, but the coefficient is statistically insignificant.

The study used co-integration analysis and Error correction mechanism in studying the variables. The study could have used regression, descriptive and granger to test the directional of causality or from the causality is moving from. The study failed to indicate the population of the study and the sample size of the study.

Kevin and Kutlu (2009) examined the relationship between foreign direct investments (FDI) and import growth in Turkey from 1950 to 2004. They used traditional import demand function to include FDI based on the new theory of trade and employ the bounds testing approach in ARDL (autoregressive distributed lag) framework and Fully Modified OLS (FMOLS) of Philips and Hansen to test the robustness of the results. The results reveal that there is a long run relationship but it is not unique and the most significant determinants of imports growth in Turkey in the long run are income (GDP) growth and domestic price level (CPI). The impact of FDI in the long run is marginal. In the short run, the most significant factors that affect import demand are income growth, relative price and domestic price level.

The study was conducted in Turkey but the study is not current compared to the time of carrying out this similar study. The study could have use vector error correction model and integration to estimate the long run relationship between the variables and the check the speed of adjustment of the variables. The study did not indicate the statistical software package adopted in analyzing the data.

Sayef (2016) investigated the relationship between exports, imports, domestic investment and economic growth in Egypt. He used annual data for the periods between 1965 to 2015 and tested the data by using Johansen co-integration analysis of Vector Auto-regression and the Granger-

Causality tests. According to the result of the co-integration analysis, He found that there is no relationship between the four variables. The empirical results indicate that exports, imports and domestic investment have no effect on economic growth in Egypt. However, the result of causality test asserts that imports and domestic investment are the source of economic growth in Egypt

The study was conducted in Egypt using annual data of 1965 to 2015 and the work was published in 2016 which is very current. The study could have tested for stationarity and before using co-integration test and causality. The study did not indicate the population of the study and the sample size of the study. The study failed to state the statistical software package used in analysing the data.

Nguyen (2017) studied the short run and long run impact of foreign direct investment (FDI) and export on economic growth of Vietnam using annual time series data for the period 1986-2015 by implementing ARDL and error correction model. The results show that in the long run FDI has a significant positive impact on Vietnam economic growth while the effect of export is negative. However, FDI and export do not have any significant impact on growth in the short run.

The above study is very current and indicates the long run and short run of FDI and Export using Error correction model. The study could have used Granger and integration. The study failed to used software statistical package and also stated the population of the study. The sample size of the study was not stated and the sample size determination was not indicated.

Ahmed, Hunjra, Iqbal and Khalil (2014) examined the impact of imports, exports, and foreign direct investment on GDP of Pakistan. Data was obtained from site of State Bank of Pakistan, Federal Bureau of Statistics, and International Financial Statistics for last 23 years. E-views was

used for data analysis. The results clearly show that the success for the increase in the GDP or economic growth these three factors, which are FDI, imports and exports, plays significant role

The study was conducted in state banks in Pakistan using 23 years data which is long enough to examine the impact of imports, exports and FDI in Pakistan. The study did not indicated the statistical tool such as regression, correlation, cointegration, granger and vector error correction model but only stated the e-view as a statistical software package.

Bardhyl (2016) empirically assessed the complementarity or substituting relationship between trade and FDI in a link to country characteristics, using bilateral level data between FDI and trade from the period of 1994 – 2010. He used augmented gravity model to test the relationship between trade (both export and import), FDI stock and country characteristics between OECD-20 countries and SEE-5 and EU-NMS-10 countries. The empirical model considers how the relationship between FDI and Trade determine whether type of FDI into SEE-5 and EU-NMS-10 from core OECD-20 countries, is vertical or horizontal. With regard to the relationship between exports and FDI, the findings of the research showed mixed evidence, thus supporting vertical FDI for EU-NMS-10 countries, and horizontal FDI for SEE-5 countries. On the other hand, based on the relationship between imports and FDI, the results of the research supported vertical FDI for both EU-NMS-10 and SEE-5 group of countries.

The study used augmented gravity model to test the relationship between trade and FDI in OECD-20 countries, SEE-5 and EU-NMS-10 countries. The study did not indicate the total population of the study and the sample size of the study. The study failed to indicates the software statistical package used in analysing the data.

Zafar (2013) examined the nature of relationship between export and FDI in India over the period 1980-2010 using Johansen co-integration method to find a stable long run equilibrium relationship between FDI and export growth. The result of Granger causality based on vector error correction model (VECM) shows that causality runs from export to FDI inflow direction and not from FDI inflow to export direction. In the short run, however, neither export Granger cause FDI inflow nor FDI inflow Granger cause export from India.

The study is very current and used a period of 1920 to 2010 but the study did not indicate the source of data and how the data was collected and where it was collected. The study used Johansen co-integration to test for long run relationship between the variables. The study also employed Granger causality to indicate the direction of the movement of the variable.

Sam (2011) examined the link between Foreign Direct Investment (FDI) in Nigeria from 1970 to 2008. The stationary properties of the data and the order of integration of the data were tested using the augmented Dickey fuller (ADF) and the Philip – Perron (PP) tests. The cointegration result showed at least one cointegrating equation in the export function. The Granger – causality results suggest unidirectional causality running from (i) foreign direct investment to export; (ii) real exchange rate to export; (iii) trade balance to export and bidirectional causality from external market indicator to export.

The above study is not current since it was conducted using a period of 1970 to 2008 and published in 2011. The study did not indicate the population of the study as well as the sample size by showing how sample size is determined in the study. The study did not use software statistical package such as e-view or Stata.

Kolawole and Henry (2013) examined the contribution of Foreign Direct Investment (FDI) to the performance of non-oil exports in Nigeria within the framework of the export-led growth (ELG) hypothesis. A causality analysis was undertaken in order to verify the relevance of the ELG hypothesis. Also, the dynamic interaction among FDI, non-oil exports, and economic growth is investigated using the concept of variance decomposition and impulse response analysis. The results obtained from the causality analysis revealed that a unidirectional causality runs from FDI to non-oil exports.

The study did not state the population of the study and the period of study was not indicated in the study. The study failed to indicate the sample size of the study as well as sample size determination. The study used Granger which is good in indicating the direction of the causality but failed to show there may be a long run relationship between the variables by applying co-integration.

Ndoricimp (2009) examined the interrelationship between Foreign Direct Investment, exports and economic growth in COMESA Countries so as to assess the validity of “FDI-led exports”, “Export-led growth” and “FDI-led growth” hypotheses in that region. The study uses annual data for a panel of 16 COMESA Countries: Burundi, Comoros, DRC, Egypt, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe for the period 1983-2007. The following variables are involved; the Ratio of Inward FDI (percentage of GDP), the Ratio of exports of goods and services (percentage of GDP) and the Growth rate of Real GDP. They test for Granger causality in heterogeneous panels by testing first for Homogeneous Non-Causality and Homogeneous Causality hypotheses. They further use the Pooled Mean Group (PMG) estimation for Heterogeneous Causality tests, method suitable

for non-stationary panels. The findings suggest strong support for the “FDI-led exports” hypothesis, the “Export-led growth” hypothesis as well as the “FDI-led growth” hypothesis.

The study used 6 COMESA Countries: Burundi, Comoros, DRC, Egypt, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe for the period 1983-2007. However,. Obtaining data from these countries and indicating the effect of variables on each other is possible for a single study.

Rashmita (2013) study the dynamics of co-integration between FDI, GDP and Exports, evidence is taken from country-specific level like Indian Economy where the period of study is from 2000-2012. The study shows a positive correlation between FDI, GDP and Exports by framing Simple Regression and Multiple Regression Models built on the hypotheses formulated and validating the results of the models based on ANOVA and Durbin-Watson test.

The study used a period of 2000-2012 which was not long enough to evaluate the dynamics of co-integration. The period is too short to indicate the long run relationship between the variables. The study did not indicate the population of the study and the sample size as well as how sample size is determine in the study. The study could have indicated the software package used in analyzing the data.

Zenegnaw (2010) determined the relationship between FDI and trade balance (import and export) of African countries for the period 1980 to 2007. Due to data heterogeneity, non-continuity and because the Hausman test favours it over the Random Effect technique, the Least Square Dummy Variable (LSDV) regression method is used. The elasticities of both export and import are positive and significant with larger elasticities noted for exports relative to imports.

The above study was conducted using African Countries for the period of 1980 to 2007 which is not current. The study did not indicate the African countries and how data was collected from each African Country as well as the source of information. The study used random effect technique which is good when using aggregate data.

2.2.2 Balance of Payment and Foreign Direct Investment

Eric (2013) determined the relationship between foreign direct investment and balance of payments in Kenya. The study used a correlation design. The study collected secondary data from the World Bank database, Central Bank of Kenya, and the Kenya National Bureau of Statistics for a 20 years period, from 1993 to 2012. The data was analysed using descriptive analysis as well as OLS regression analysis after testing for non-stationarity of data using Augmented Dickey-Fuller test. Three equations were modeled for this study and used in the regression. The study found that the relative price of imports had a positive and significant impact on imports at the 1% level of significance while GDP and FDI were not significant in the model. This model accounted for 59.6% of the variance in imports and it was jointly fit in explaining the variance in imports. The study found that the relative price of exports and GDP had positive and significant impacts on exports at the 5% level of significance while FDI and lagged FDI did not have a significant impact on exports at all acceptable levels of significance. The model accounted for 52.6% of the variance in exports and was jointly fit in explaining the variance in exports. The results showed that FDI and Dummy2008 did not have a significant impact on CABECT at all acceptable levels of significance. The model accounted for only 18.4% of the variance in CABECT and it was not fit to jointly explain the impact on CABECT. The study concludes that the relative price of imports affects imports and that the relative price of exports and GDP also impact on exports. The study also concludes that FDI does not impact on

exports, imports, or CABECT. There is therefore no evidence of FDI having a significant impact on balance of payments in Kenya.

The study is current and use correlation research design but it is to note that the study could have use ex-post facto research design in conducting the work and that there is no correlation research design in literature. The study was conducted in Kenya and OLS regression were use after testing for non-stationarity of data using Augmented Dickey-Fuller test which is very useful.

Siddiqui, Ahmad and Asim (2013) investigated relationship between FDI and current account (CA) in Pakistan using the Johansen-Juselius cointegration technique and the Granger causality test. The study results indicate that FDI and CA are cointegrated and thus exhibit a reliable long run relationship. The Granger causality test findings indicate that the causality between FDI and CA is uni-directional. However, there is no short run causality from FDI to CA and vice versa. Therefore, as a policy implication that FDI inflows may cause to the deterioration of the balance of payments in the long run should be taken into account when policy makers decide to implement policies to attract foreign investors.

Funda and Nesli (2015) studied the effect of foreign direct investment on balance of payment for turkey and reveal short and long term relationships between 1998.Q1- 2013.Q4 current account deficit figures and FDI, GDP for Turkey, GDP for EU, Real Interest Rate (RFO), Real Effective Exchange Rate (REDK) variables. As a result, while REDK, GDP_AB, RFO have positive effect on current account deficient, GDP_TR and DYY have negative effect on it.

The study is very good since it study the long run and short run relationship between the variables. The study did not indicate the statistical tools adopted in solving short run and long

run relationship problems. The study did not indicate the software statistical packages such as e-view, SPSS and Stata etc use in analyzing the data.

Mohd (2016) studied the impact of Foreign Direct Investment Inflows on Capital Account of India's Balance of Payments using secondary data collected from Department of Industrial Promotion and Policy (DIPP), Government of India; UNCTAD Database and Reserve Bank of India database while FDI Inflows data from DIPP and UNCTAD while the Balance of Payments data from RBI database. Thus, the annual data from 1991 to 2000 was transformed into the data from 1991-1992 to 1999-2000. The found that variable Foreign Direct Investment Inflows and the component of balance of payments Capital Account Balance (KAB) shows that there is an impact of Foreign Direct Investment Inflows on Capital Account Balance. However, the difference being, there is bi-directional causality between Capital Account Balance and Foreign Direct Investment Inflows. This means that Foreign Direct Investment Inflows impact the Capital Account Balance in India as well as the Capital Account Balance also impacts the Foreign Direct Investment Inflows.

The above studied use bidirectional causality to estimate that Foreign Direct Investment Inflows impact the Capital Account Balance in India as well as the Capital Account Balance also impacts the Foreign Direct Investment Inflows. The study adopted a good statistical tool to carry out the research but failed to indicate the software statistical package use in the study. The study could have use one type of sources of data but the adopted many sources of data which is wrong.

Atif, Nabila, Mahnaz and Rooma (2012) investigated the impact of foreign direct investment (FDI) inflows on current account balance excluding current transfers (CABECT), and income outflows (IO) of balance of payments (BOP) of Pakistan for the period 1983-2011 by employing

autoregressive distributive lag (ARDL) approach. Total FDI inflows in Pakistan from 1983 to 2011 were US \$ 32.26 billion out of which 72.03 percent (US \$ 23.23 billion) were received in last seven years (2005-2011) mostly in the services sector. Results of the study show that increase in FDI causes increase in IO and worsens CABECT of Pakistan in the long-run. Error correction terms in both short-run models have negative and significant coefficients thus confirming long-run relationship of FDI inflows with IO and CABECT.

The study adopted Error Correlation Terms to estimates the variables which were right. The study was conducted in Pakistan for the period 1983-2011 and similar study can be addressed in Nigeria. The study also used autoregressive distributive lag (ARDL) approach but failed to use unit root test to determine the order of integration in order to know the type of statistical tools to be used.

Mihaela (2014) studied the influence of the current account of the balance of payments and of the foreign direct investments on the evolution of the lei/euro exchange in Romania. Quantitative approach using the technique of multiple linear regression modeling and data which served as research support were taken from the statistical database of the National Bank of Romania. The dependent variable is the leu-euro exchange rate recorded quarterly between the years 2007-2013, and the independent variables consist of the current account of the balance of payments and foreign direct investments expressed in millions of euro. The used variables are quantitative-numerical. The research instrument used is the SPSS software (Statistical Package for the Social Sciences), version 17. Hence, an econometric model is proposed and validated using multiple linear regressions with two independent variables: FDI and the current account of the balance of payments for the period between 2007 and 2013. The results showed that an increase of the FDI

flow as well as an increase of the current account of the balance of payments contributes on long term in the increase of the leu/euro exchange

The study adopted SPSS version 17 and multiple linear regression were used in the study which was right but failed to used correlation to estimate the relationship between the variables. The period of study is 2007 to 2013 which is too short to estimate effective relationship of the variables.

Syed, Shahid and Amir (2012) studied impact of Foreign Direct Investment and Worker's Remittances on Balance of Payment in Pakistan. They analyze the statistical data of BOP of Pakistan from 1986 to 2010 and source of the data in this study is Pakistan Bureau of Statistics. The data was collected from 1986 to 2010 and included: i) the length of roads in kilometers (highways only) and the total railroad route in kilometers. The data was analyzed using SPSS in two steps, in the first step all eight variables were tested against BOP and in the second step only the statistically significant variables out of those eight were tested against BOP. The technique used to scrutinize the data was regression analysis. The dependent variable was BOP and the rest eight variables discussed above were kept as independent variable. The initial test revealed that the model had a value of R Square .958 which is healthy enough to explain the BOP with these independent variables. The ANOVA table also suggests that the model is significant as the p value is less than .05. The analysis shows that out of eight variables only two variables proved to be statistically significant namely foreign direct investment inflows and worker's remittances. However the impact of these variables on BOP turned out to be negative.

The above study adopted regression which is good but failed to use correlation to estimate an association between the variables. The period of study was long enough to indicate the effect of the variables and the study was conducted in Pakistan.

Danish, Mohsin and Muhammad (2013) investigated relationship between FDI and current account (CA) in Pakistan using the Johansen-Juselius cointegration technique and the Granger causality test. The study results indicate that FDI and CA are cointegrated and thus exhibit a reliable long run relationship. The Granger causality test findings indicate that the causality between FDI and CA is uni-directional. However, there is no short run causality from FDI to CA and vice versa. They found that policy implication that FDI inflows cause deterioration of the balance of payments in the long run.

The above study used uni-directional to study the variables. Johansen-Juselius cointegration technique and Granger causality test were used in the study which was perfect in the study in order to indicate the short run and long run relationship between the variables. The study did not state the software statistical package used.

Manpreet, Surendra and Vinayshil (2012) investigated the relationship between Foreign Direct Investment (FDI) and current account in the context of India. Using the Toda-Yamamoto (T-Y) granger causality technique for the period 1975-2009, our results indicate that FDI and current account are co-integrated in the long run. There is evidence of unidirectional causality from FDI to current account.

Kesaobaka, Daw and Mongale (2017) examined the impact of current and capital accounts on foreign direct investment in South Africa. The cointegration test results reveal the presence of a

long run economic relationship amongst the variables implying that they share a common linear. Furthermore, foreign direct investment has a significant and positive relationship with current account and capital account in the short-run. GDP, which was, introduced as a control variable in the system showed an insignificant and negative relationship with foreign direct investment

Wong (2005) investigated the long-run relationship between FDI and its location-related determinants in the manufacturing industry of Malaysia over the period 1980-2002. The results of the Johansen (1988) co-integration method show that there is one co-integrating vector in each of the estimated models. Moreover, the results of the Phillips and Hansen (1990) fully-modified least squares (FMLS) estimator show that an increase in education, infrastructure, market size or current account balance leads to an increase in FDI whereas an increase in inflation or exchange rate leads to a decrease.

Wong (2005); Manpreet, Surendra and Vinayshil (2012) and Kesaobaka, Daw and Mongale (2017) study used short run and long run relationship and indicated how the variables are co-integrated in the study. The above studies did not state the software statistical package of e-view, SPSS and Stata. They also failed to indicate the population of the study and the sample size of the study as well as sample size determination.

Omankhanlen (2012) studied the effect of Foreign Direct Investment inflows on Nigerian's Balance of payment over the period 1980-2009. Econometric model was developed to investigate the relationships between the BOP and foreign direct investment. Based on the data analysis it was discovered that foreign direct investments have positive and significant impact on current account balance in the Balance of payment. While Gross fixed capital formation is inelastic to Balance on current account.

The study did not indicate the type of econometric model developed by the researcher. The researcher could have used regression, correlation, co-integration, Granger and vector correction model to estimate the long run relationship of the variables and also to indicate the direction of the movement of the variable.

Clainos and Rose (2015) investigated the impact of foreign direct investment on Zimbabwe's balance of payments for the period 1981-2013. The study utilises a linear model that takes foreign direct investment, the current and capital accounts as explanatory variables, while the balance of payments is the dependant variable. The study found out that foreign direct investment, current and capital accounts have significant influence on the balance of payments of Zimbabwe. The conclusion is that foreign direct investment has a huge impact on the balance of payments.

The study used linear model of regression to indicate the relationship to indicate the relationship between the dependent and independent variable. The study could use co-integration and Granger as well as vector error correction model to study the bidirectional relationship between the dependent variable and independent variable.

Osoro (2013) investigated the long-run determinants of balance of payment dynamics in Kenya between 1963 and 2012, using co integration and error correction mechanism. The study uses annual time series data for Kenya. Results show that variables, which exhibited non-stationarity, were insignificant in determining the balance of payments in the long run.

The study used co-integration and error correction mechanism. The study is good since error correction mechanism is used as determinants to balance of payments which lead to adjustments in removing disequilibrium in the balance of payments position. The study failed to indicate the population of the study and the sample size of the study.

Moses and Yao (2013) focused on the Analysis of the Main determinants that have an impact on trade balance. Specifically this study focus on the main cause of Trade deficit in Tanzania by analyzing the impact of Foreign Direct Investment(FDI),Human Capital Development(HCD), Household Consumption Expenditure(HCEXP), Government Expenditure (GEXP),Inflation (INF),Natural Resources Availability (NRA),Real Exchange Rate (REX) and Foreign Income(WY) and Trade Liberization (TLB) etc. The Ordinary Least Square method (OLS) under the E-View 7.1 software has been used for the econometric analysis with a sample period spanning from 1980-2012. However, the study found out that the main influencing factors for the case of Tanzania are Foreign Direct Investment(FDI),Human Capital Development (HCD),Household Consumption Expenditure(HCEXP), Government Expenditure (GEXP), Inflation(INF), Natural Resources Availability (NRA), Foreign Income(WY) and Trade Liberization(TLB) so suggested policy measures should focus on them to reduce the trade deficit in the Tanzanian economy.

The study used regression only which is not the best method of determining the determinant of balance of payment. The study could have used granger casualty test and co-integration. The used of co-integration could have indicate the long run relationship between the variables. The study failed to indicate the population of the study as well as the sample size.

Muhammad, Khadim, Muhammad and Sabahat (2016) evaluated the impact of foreign direct investment (FDI) on trade components (exports and imports) of Pakistan using annual data from 1975 to 2013. Engle and Granger two step cointegration method was used for conducting the analysis. This method was adopted because all the variables of interest were non stationary in level and stationary at first difference. Results provide evidence of long run cointegrating relationship as well as short run relationship between FDI and trade components. A rise in FDI causes both exports and imports to increase.

The study is current and the period of study is from 1975 to 2013. The population of the study is not indicated in the study. The study failed to indicate the sample size of the study. The study used Granger and co-integration to determine the long run relationship between the variables. The Granger is used to test the direction of the causality.

Ahmed (2011) explained the relationship between foreign direct investment and current account of Sudan during the period 1972-2011 using the Johansen-Juselius co integration technique. The study used an econometric time series Vector Error Correction Model (VECM) approach in order to evaluate the short-run and long run impact of FDI and RGDP on current account. Impulse Response Function (IRF) has also been generated to explain the response to shock amongst the variables. The most important results of this study indicated that, foreign direct investment has a weak negative effect on the current account, Furthermore the results indicate that FDI and CA are co integrated and thus exhibits a reliable long run relationship. He also noted that causality runs from Current account to foreign direct investment.

The study used Johansen-Juselius co-integration and Vector Error Correction Model (VECM). The tools adopted are very unique but failed to indicate the regression in order to determine the

specious regression. The study did not indicate the population of the study and the sample size of the study. The study could have test for stationairty of the data before using the data to run any analysis.

Bankole and Ayinde (2012) investigated the relationship between capital account liberalisation and foreign direct investment in Nigeria for the periods 1980-2011. The technique of analysis employed is the Bound-Testing Approach. This technique, which was later re-parameterized to investigate the short-run dynamics, is primarily used to ascertain the long-run equilibrium condition among the variables. The results obtained largely supports the neoclassical counter-revolution framework which craves for government involvement in the natural workings of the economy to a minimal level; only for regulatory purposes.

The study period, 1980 to 2011, is long to determine the long run relationship between the variables. The study could have indicated the population of the study and the sample size of the study. The study could have indicated the software statistical package used in analysing the data. The study could have used co-integration, granger and vector error correction model in establishing the directional of the casualty.

2.2.3 Tax Policy and Foreign Direct Investment

Sharvesh, Hemavadi and Bhavish (2017) studied tax policy and foreign direct investment: Empirical Evidence from Mauritius and demonstrated through the used both qualitative and quantitative data. They noted that there are several factors determining Foreign Direct Investment flows between two countries. A total of 180 accountants were surveyed in this study, whereby the majority of respondents agreed that Capital Gains Tax is an important factor

determining FDI flow within a tax treaty but is not the only significant factor. The study also used regression analysis through a gravity equation to confirm the survey's conclusion. Using Mauritius and a host of its tax treaty partners as proxies, it was found that Gross Domestic Product per capita, Capital Gains Tax, common language and distance were major factors affecting Foreign Direct Investment flow in a bilateral tax treaty. This study gives a good insight on the reasons why foreign investors use the Mauritian tax treaty network as a platform for investment. The main rationale for such investments was attributed to Mauritius offering a 0% Capital Gains Tax rate and being a low tax jurisdiction.

The study conducted by Sharvesh, Hemavadi and Bhavish (2017) can be adopted by this study and addressed it to multinational corporations investment in oil and gas sector. The study used tax policy and foreign direct investment which is in lined with this study. The study failed to indicate the population of the study and the sample size of the study as well as how sample size was determine scientifically in the study. The study failed to indicate the statistical tools used in the study. The study could have use co-integration, vector error correction model and granger casualty test to study the variables. The cointegration could have indicates the long run relationship between the variables while granger test could have indicate the direction of the casualty or direction of the influence.

Stephen (2013) investigated impact of tax policy on the performance of small and medium scale enterprises in Nigerian economy. Descriptive survey research design was adopted. The population for this study is comprised of sixty eight (68) SMEs currently operating in Kogi State and Abuja. They have 726 personnel comprised of fifty six (56) managers and 671 accountants. The sample for the study consisted of two hundred and fifty-eight (258) respondents, (20 managers and 238 accountants from the two states. Yaro Yamani formula for sampling technique

was used to select the two hundred and fifty-eight (258) respondents, representing 36% of the population. Out the two hundred and fifty-eight (258) copies of the questionnaire were printed and distributed, sixty eight were not returned while One hundred and ninety (190) copies of the questionnaire were retrieved, representing a seventy four (74%) per cent return, out of which one hundred and forty six were wrongly filled giving the total of one hundred and forty four (144) copies of the valid questionnaire. Descriptive statistics was used to analyse the data collected and to obtain the mean assessment for each scale item. The research hypotheses for this study were tested using z-test statistics to establish $p < 0.05$ significant differences. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth.

The above study used tax policy and performance of small scale enterprises in Nigeria. Similar study can be conducted using multinational corporations investment in oil and gas sector using the same variables expect performance. The study indicates the population of the study and the sample size of the study. The used questionnaire to study the variables but the questionnaire may not provide adequate data that can explain tax policy effect on performance of small scale enterprises in Nigeria. The study used z-test but z-test cannot indicate the cause and effect or long run relationship between the variables. The study could have use co-integration and vector error correction model.

Peter, Simon, Michael and Hannes (2006) computed the effective (marginal and average) tax rates that account for bilateral aspects of taxation and, therefore, vary across country-pairs and years. These tax rates serve to estimate the impact of corporate taxation on outbound stocks of

bilateral foreign direct investment (FDI) among OECD countries between 1991 and 2002. The findings indicate that outbound FDI is positively related to the parent and host country tax burden and negatively associated with bilateral effective tax rates. Relying only on unilateral (country and time variant) rather than on both unilateral and bilateral (country-pair and time variant) effective tax rates leads to biased estimates of the impact of corporate taxation on FDI.

The above study was conducted in and used tax rates to study tax policy which was very good. The study failed to state the statistical tool adopted in analyzing the study. The study could have used vector error correction model to ascertain the bidirectional relationship between the variables. The study could have used correlation to ascertain the degree and strength of the relationship between the variables.

Milla (2017) examined the impacts of FDI to corporate income tax that becomes indication of tax competition among ASEAN countries during 1990 – 2012. Countries taken as subject of research are ASEAN-6 member countries, using quantitative approach with ASEAN-6 member countries' pooled data. Result of statistic examination shows that there is significant influence in hypothesis 1 (tax competition basic model) and hypothesis 2 (tax competition model by inserting FDI variable). There is correlation between FDI and corporate income tax. Corporate income tax rate reduction gives influence towards increase of FDI because there is an increase of return on investment. Meanwhile, at hypothesis 3 (tax competition model by entering country size variable), result of examination does not prove that country size can trigger asymmetric tax competition.

The above study was conducted using ASEAN countries during 1990 – 2012 and similar study can also be conducted using Nigeria with a particular reference to oil and gas sector. The study

did not use proper methodology such as research design, population of the study, sample size of the study, sample size determination, method of data collection, method of data analysis. The study also finds and indicates various tests adopted in the study such as f-tests, z-test and t-test.

Nida, Mine and Mehmet (2016) examined the impact of corporate income tax rate on foreign direct investment level (FDI) in the OECD countries. They attempt to find the impact of reduced corporate tax rate on foreign direct investment. They found that FDI level increases significantly following tax rate reductions at univariate level. They use fixed effect panel estimation and GMM method of estimation to test the relation between tax rate and FDI level. They report a negative relation between tax rate and FDI level. Their findings show that the countries which reduce their tax rates, attract higher level of FDI following this reduction.

Study by Nida, Mine and Mehmet in 2016 was conducted using OECD countries and similar study can be conducted using Nigeria multinational corporations with a particular reference to oil and gas sector. The study adopted panel regression and the use of panel regression is ineffective since the study can be vector error correction model which is the highest tool of analysis that looks out bidirectional relationship between variables.

Christian and Markus (2017) estimated a panel of 56 bilateral country-relationships of 7 home and 8 host countries of foreign direct investment (FDI) from 1995-2003 using a panel gravity-model setting to analyze the role of taxation as a determinant of FDI. While gravity variables explain most of the variation of FDI inflows, the bilateral effective average tax rate is also an important determinant of the location decisions and roughly equally important to other cost factors. The semi-elasticity of FDI with respect to taxation is between -3.3 and -4.6, which in

absolute terms is above those of earlier studies. This can partly be attributed to using a superior measure of corporate income tax burden.

The above study failed to indicate the various ingredients of research such as research design, population of the study, sample size of the study, sample size determination, method of data collection in the form of questionnaire and interview, method of data analysis such as regression, vector error correction model.

Łukasz and Tomasz (2015) investigating the Corporate Income Tax rates of the Visegrad Group countries in relation to the countries investment attractiveness. The article has a form of a research paper. The objective of the article is to compare the Corporate Income Tax rates imposed in each of the Visegrad Group countries in relation to the foreign investment levels in those countries as measured by foreign direct investment. The conclusion of the article is that the Corporate Income Tax rates in the countries of the Visegrad Group have not an impact on the value of foreign investment in these countries.

The study used Visegrad Group and similar study can use oil and gas sector in Nigeria. The study failed to use good statistical tools and package to analysis the data. The study failed to indicate the population of the study, sample size of the study and sample size determination as well as method of data analysis.

Lackson (2015) investigated the impact of Corporate Income Tax (CIT) on Foreign Direct Investment for twelve Southern African Economies using Panel Data Analysis. The estimation models applied are Fixed Effects Model, Random Effects Model and the Dynamic Panel Data Model. They found that Corporate Income tax rate has a significant negative effect on Foreign Direct Investment.

The above did not indicate the population of the study and the sample size of the study as well as methods of sample size determination. The study also failed to indicate the period of the study but the date of publication is current which implies that further study can include 2015, 2016 and 2017. The study used panel regression as well as panel data which implies panel regression can be provide adequate result to the study variables.

Ong, Wong, Teh (2012) used data on US multinational enterprises (MNEs) outward foreign direct investment (FDI) between 2000 and 2009 and they investigated the relationship between corporate tax rate and FDI in developing countries, and contrast the differences in regional corporate tax rates in order to reveal an asymmetry between developed and developing countries. They identified the nature and the relationship between the four independent variables (GDP, trade openness, statutory corporate tax and distance) and U.S. outwards FDI in developing countries. The results indicate that (i) FDI is strongly and positively correlated to market size as well as to trade openness in both types of host countries - developing and developed countries.

Also, FDI is inversely correlated to the distance between home and host developed countries, but no significant relationship between home and host developing countries. (ii) US MNEs are negatively influenced by the level of statutory corporate tax rates in host developing countries.

The above study was conducted by Ong, Wong and Teh (2012) and similar study can be conducted using multinational corporations investment in oil and gas sector in Nigeria. The period of study very 2000 and 2009 and the result may not be unique. The study could have used long period of time such as 38 years from 1970 to 2009. The study failed to indicate the population of the study and the sample size of the study. The study also failed to indicate how sample size of the study was determined in the study. The study could have use co-integration,

granger causality test and vector error correction model. The use of vector error correction model could have indicate the speed of adjustment and granger test could have indicate the direction of the influence while co-integration could have indicate the long run relationship between the dependent and independent variable.

Lenoardo, Quan and Lrina (2014) studied Corporate Tax Cuts and Foreign Direct Investment using craft, a quasi-experimental design and apply two relatively new methods—the difference-in-differences estimation and the synthetic controls method—to the policy debate on whether corporate tax cuts increase foreign direct investment (FDI). The taxation–FDI relationship has attracted wide attention because of mixed findings. They exploit a quasi-experimental design for Russian regions, which were granted autonomy to reduce corporate profit tax in 2003, enabling them to simultaneously experiment with different tax policies. We estimate both the average and local treatment effects of two types of tax cuts on FDI inflows. They find that, on average, relative to the absence of tax cuts, nondiscriminatory tax cuts on direct investment profit increase FDI, but discriminatory tax cuts on selected government-sanctioned investment projects do not. Yet for both types of tax cuts, local treatment effects vary dramatically from region to region.

The study could have used ex-post facto research design instead of using a quasi-experimental research design. The study could have used use regression and correlation to estimate cause, effect and association between the variables. The study did not indicate the software statistical package adopted and the source of data use in the study.

Ali (2015) examined the relationship between corporate taxation and foreign direct investment in Nigeria from 1970-1980. The annual reports were sourced from the CBN statistical bulletin, NBS and World Bank which were analyzed using Descriptive Statistic, correlation and

regression. The independent variable corporate taxation was measured using corporate tax rate (CTR) whilst dependent variable foreign direct investment was measured using FDI net inflow (% of GDP). GDP, exchange rate and inflation rate were used as control variables. The result showed negative significant relationship between CTR and FDI whilst exchange rate and FDI indicated negative insignificant relationship. However, GDP was positively insignificantly related with FDI whilst inflation had positive significant relationship with FDI.

The study adapted descriptive Statistic, correlation and regression. The correlation were use in order to estimate the degree or strength of the relationship between the variables and regression were use to indicate the cause and effect of the relationship between variables. The study failed to indicate the population of the study and the sample size of the study. The study also failed to indicate the how sample size of the study was derived from the population of the study. The study period is long to establish the influence of the variables.

Ong and Wong (2012) studied corporate tax and foreign direct investment in Developing Countries using data on US multinational enterprises (MNEs) outward foreign direct investment (FDI) between 2000 and 2009. The results indicate that FDI was strongly and positively correlated to market size as well as to trade openness in both types of host countries - developing and developed countries. Also, FDI is inversely correlated to the distance between home and host developed countries, but no significant relationship between home and host developing countries. US MNEs are negatively influenced by the level of statutory corporate tax rates in host developing countries.

The study used a very short period (2000 to 2009) which is 9 years and the result is ineffective since this period cannot analysed the effect of the variables. The study used Developing

Countries and the findings of the study cannot be generalized to a particular developing. The study did not indicate the population of the study and sample size of the study. The study did not indicate how sample size was scientifically determined in the study.

Yanin (2010) investigated the impact that the corporate income tax rate has on inflows of foreign direct investment (FDI) in high-income OECD countries during the periods 1998-2006. Moreover, the determinants of FDI are analyzed in order to build a model to indicate the influence that the statutory corporate income tax rate has on these countries. OLS regressions are used to find the degree to which certain variables, specifically the corporate tax rate, have an impact of the dependent variable (i.e. aggregate inflows of FDI).

The above study is not current and the study could have use regression, correlation, test of stationarity in the form of unit root test, co-integration, granger and vector error correction model to study the variables. The study did not indicate the population of the study and the sample size of the study as well as indicating the source of data information. The period of study was very short and the study failed to indicate the population of the study and the sample size of the study as well as how sample size was determine in the study.

Ioan-Alin and Dragoş (2013) focused on the link between taxation and foreign direct investments and the struggle of governments to create a tax regime that would attract investors on the one hand and on the other hand increase revenues. Based on a series of models of multiple regressions and test if the FDI is influenced by income obtained through Corporate Income Tax and Value Added Tax and found that that an increase in VAT income for the state would create a decrease in the level of FDI. Also, an increase in taxation (increase of CIT level) would determine a decrease of FDI in Romania.

The study could not have used multiple regressions only. The study could have use correlation to determination the degree or strength of the relationship between the variables. The study could have used granger to indicate the direction of the causality and co-integration to determine the long run relationship between the variables. The study did not indicate the population of the study and the sample size.

Akinwunmi, Olotu and Adegbie (2017) examined the relationship between multiple taxes and Foreign Direct Investment inflow in Nigeria for the periods 1996 to 2015. The study adopted the ex-post facto research design. Secondary data used was collected from Central Bank of Nigeria Statistical bulletins, National bureau of statistics publications and Central Bank of Nigeria Annual Reports. Descriptive analytical procedure and inferential statistics were employed. The descriptive statistics was used in explaining the characteristics of the variables while inferential statistics involved the use of multiple regressions for analysis and time series was used for estimation. From the findings, it is noted that there is an inverse relationship between multiple taxes and Foreign Direct Investment (FDI) in Nigeria and also indicate a significant linear relationship between the dependent and independent variable.

The study used only multiple regressions in analyzing the relationship between foreign direct investment inflows and multiple taxations. The used of regression is very perfect and also the use of ex-post facto research design is also good. The study could have used Granger, Vector Error Correction Model and the Co-integration to analysis the variables. The period of study is long but the study failed to indicate the population of the study and the sample size of the study.

Olaleye, Riro and Memba (2016) examined the effect of Company Income Tax incentives on Foreign Direct Investment in Listed Nigerian Manufacturing Companies. The study adopted descriptive research design and the target population of the study was the 74 Listed Manufacturing Companies with approximately more than 56,000 employees. A sample size of 352 respondents from thirty two (32) manufacturing companies was selected from seventy four (74) companies using stratified purposive sampling and respondents were grouped into three strata; top, middle and lower management levels. This study used primary data obtained from administration of the questionnaires. Descriptive statistics adopted were; frequencies, mean and standard deviation, while inferential statistics consisted of correlation and regression analysis. The findings showed strong positive linear relationships between reduced company income tax incentives and foreign direct investment.

The study used 24 listed manufacturing companies in Nigeria in the Nigerian stock exchange. The study used primary data which is not a good design in analysing this type of research work. The study stated the population of the study as well as the sample size. The study could have used Granger, co-integration and employed the use of time series data.

George and Bariyima (2015) study examined the influence of tax incentives in the decision of an investor to locate FDI in Nigeria. Data were drawn from annual statistical bulletin of the Central Bank of Nigeria and the World Bank World Development Indicators Database. The work employs a model of multiple regressions using static Error Correction Modelling (ECM) to determine the time series properties of tax incentives captured by annual tax revenue as a percentage of Gross Domestic Product (GDP) and FDI. The result showed that FDI response to tax incentives is negatively significant, that is, increase in tax incentives does not bring about a corresponding increase in FDI.

The study used model of multiple regressions using static Error Correction Modelling (ECM) which implies the researcher discovered spurious regression in order to employ the tool of test of stationarity. The study failed to use co-integration to discover the long run relationship between the variables. The population of the study was not indicated as well as the sample size of the study.

Fredrick and Okeke (2013) examined the impact of value added tax on investment growth in Nigeria. Value Added Tax (VAT) was introduced by the Federal Government of Nigeria in 1993 to replace Sales Tax. Time series data on investment, government expenditure, real exchange rate, real interest rate and trade openness from the central bank of Nigeria statistical Bulletin (CBN) were analyzed, using multiple regression analysis. The results show that Value Added Tax has significant effect on investment growth in Nigeria.

The study used multiple regression which is very good but the study could have employ the use of granger, co-integration and vector correction model in order to ascertain the long run relationship between the variables. The population of study is

Sharvesh, Hemavadi and Bhavish (2017) used both qualitative and quantitative data, that there are several factors determining Foreign Direct Investment flows between two countries. A total of 180 accountants were surveyed in this study, whereby the majority of respondents agreed that Capital Gains Tax is an important factor determining FDI flow within a tax treaty but is not the only significant factor. The study also used regression analysis through a gravity equation to confirm the survey's conclusion. Using Mauritius and a host of its tax treaty partners as proxies, it was found that Gross Domestic Product per capita, Capital Gains Tax, common language and

distance were major factors affecting Foreign Direct Investment flow in a bilateral tax treaty. This study gives a good insight on the reasons why foreign investors use the Mauritian tax treaty network as a platform for investment. The main rationale for such investments was attributed to Mauritius offering a 0% Capital Gains Tax rate and being a low tax jurisdiction. However, this study sheds new light on this reasoning and provides evidence that investment does not depend solely on Capital Gains Tax levy but also a host of other important factors

Wakaguyu, Mwangi, Kennedy and George (2017) established the dominant relationship between tax burden and FDI inflows. Taxation components such as tax system, tax types, tax rates, tax base, tax structures affect the amount of tax revenues collected hence the tax burden. Therefore, in this study, tax burden was represented by itself and taxation components. The research found literature has two divergent relationships between tax burden and FDI inflows: negative and none. However, the relationships largely depended on the taxation components and country or economic region under study.

The study was conducted and published in 2017 and similar study can be conducted in Nigeria using multinational Corporations investment. The study failed to indicate the population of the study and sample size of the study. The study used multiple variables such as tax system, tax rate, tax burden, tax structure and tax type. The study failed to indicate the statistical tools used such as co-integration, granger causality test and vector error correction model. The study could have use co-integration to indicate the long run relationship between the dependent and independent variable. Granger causality test could have show the direction of the influence of the variables or how one variable attract the other variable while vector error correction model could have indicate the speed of adjustment.

Ioan-Alin and Dragoş (2013) focused on the link between taxation and foreign direct investments and the struggle of governments to create a tax regime that would attract investors on the one hand and on the other hand increase revenues. The study test if the economic development of a country represented in consumption (measured in VAT income for the country) and production (measured in the change in Corporate Income Tax) would create an increase in Foreign Direct Investments. Based on a series of models of multiple regressions we test if the FDI is influenced by income obtained through Corporate Income Tax and Value Added Tax.

The above study is very current but failed to indicate the population of the study and sample size of the study. The study also failed to indicate how sample size was derived or determined in the study scientifically. The study used multiple regression which is to established cause and effect relationship between the dependent and independent variable. The study could have use the regression to detect if the there is nonsense regression or specious regression and further used co-integration, granger test and vector error correction model to ascertain the long run relationship between the variables, indicate the direction of the influence of the variables and also ascertain the speed of adjustment of the variables.

Adegbite and Shittu (2017) examined the impact of value added tax on private investment in Nigeria. Data was obtained from CBN statistical Bulletin from 1994 to 2015. Pearson product moment correlation and multiple regressions were employed to analyze the relationship between the dependent variable (Private Investment) and independent variables (Value Added tax, interest rate, inflation rate and exchange rate.). Findings show that there is a positive significant relationship between Private Investment and the Value Added tax, interest rate, inflation rate and

exchange rate with the adjusted R² @ 75%. Therefore, Value Added tax, interest rate, and exchange rate have strong and positive statistical impact on Private Investment in Nigeria.

The above study was conducted by Adegbite and Shittu in 2017 and used a period of 1994 to 2015. Similar study can be conducted using multinational corporations investment in oil and gas in Nigeria. The study failed to indicate the population of the study and the sample size of the study. The study failed to indicate the statistical tool but from the finding of the study it showed that the study used regression to ascertain the cause and effect relationship between the dependent and independent variable. The use of regression is wrong since the study was set to ascertain a long run relationship between the variables. The used of correlation is very unique to ascertain the strength or degree of the relationship between the variables.

Fredrick and Okeke (2013) examined the impact of value added tax on investment growth in Nigeria. Time series data on investment, government expenditure, real exchange rate, real interest rate and trade openness from the central bank of Nigeria statistical Bulletin (CBN) were analyzed, using multiple regression analysis. The results show that Value Added Tax has significant effect on investment growth in Nigeria.

The above study was conducted by Fredrick and Okeke in 2013 and similar study can be conducted in Nigeria with reference to multinational corporations investment in oil and gas. The study failed to indicate the population of the study and the sample size of the study. The study failed to indicate how sample size was determined scientifically. The study used multiple regression to ascertain the cause and effect relationship between the dependent and independent variable. The study could have use co-integration, granger causality test and vector error correction model. The use of co-integration could have indicates the long run relationship

between the dependent and independent variable. The use of could have indicate the granger causality test could have show the direction of attraction or influence on the other variable while the use of vector error correction model could have indicate the speed of adjustment.

Mihai and Aleksandar (2011) attempted to analyse this effect in 25 high income Organisation for Economic Co-operation and Development (OECD) countries between the period of 1996 to 2009. They proved statistically whether there is significant and negative relationship between the inflows of FDI and corporate taxation in the selected sample of OECD countries during the specified time span. The relationship is investigated with OLS regression analysis with pooled panel data to find to what extent the selected explanatory variable effective tax rate (ETR) along with trade openness, long term interest rate, share of internet users and labour cost have an impact on the dependent variable - FDI relative to GDP. Finally, it is proved that the elasticity between corporate taxation and FDI is positive at a level below the average effective tax rate and negative above the average level of effective tax rate. In addition, all other important variables included in the regression model are found to be significant determinants of FDI.

The study used Organisation for Economic Co-operation and Development (OECD) countries between the period of 1996 to 2009 and similar study can be conducted using Nigeria with reference to multinational corporations in oil and gas sector. The study failed to indicate the population of the study and the sample size of the study. The study used regression to established the cause and effect relationship between the dependent and independent variable. The use of regression is wrong since it cannot established a long run relationship between the dependent and independent variable. The study could have use co-integration, granger test and vector error correction model. The use of co-integration could establish a long run relationship between the dependent and independent variable. The use of granger test could have indicate the direction of

influence of one variable on the other while the use of vector error correction mode could have indicate the speed of adjustment of the variable.

Mohamed (2015) explored the Cointegration relationship between tax revenue and foreign direct investment in Sri Lanka and also this study has some sub objectives. He used both TAX and FDI data are collected from the year 1990 to 2013 as a sample periods. All collected data are analyzed based on the regression method. Especially this analyze is considering the constant elasticity model. As per the results of the regression outcome, the FDI is contributing 77 percent on the TAX revenue in the Sample period. As well as, both TAX and FDI variables encompass long run relationship between them.

The above study was conducted in Sri Lanka using tax revenue and foreign direct investment. The period of study is long and can provide adequate result of the analysis. Similar study in Nigeria can used the similar variables to address the study such as multinational corporations in oil and gas sector. The study failed to indicate the population of the study and the sample size of the study as well as how sample size was scientifically determine in the study. The study used regression to establish the cause and effect relationship between the dependent and independent variable. The use of regression is wrong since the study was not set to use regression. The study could have use co-integration and vector error correction model to ascertain the speed of adjustment and the long run relationship between the dependent and independent variable.

Haider and Chaudhary (2013) studied the impact of foreign direct investment on tax revenue in Pakistan. Foreign direct investment and gross domestic product per person employed are used as independent variables and tax revenue is taken as dependent variable. Augmented Dickey Fuller, Phillips -Perron, Ng-Perron and Zivot-Andrews unit root tests are applied to find the level of

integration in the time series. Auto-Regressive Distributive Lag and its error correction model are applied to find long run and short run relationships. The study finds the long run and short run relationships in the model. Foreign direct investment and gross domestic product per person employed have positive and significant impact on tax revenue.

The above study was conducted by Haider and Chaudhary in 2013 in Pakistan using Auto-Regressive Distributive Lag and its error correction model. The study could have use vector error correction model to establish the speed of adjustment of the variable. The study failed to indicate the population of the study and sample size of the study as well as the sample size determination. The study used unit root test in the form of Augmented Dickey Fuller, Phillips -Perron, Ng-Perron and Zivot-Andrews unit root tests. The used of unit root test was perfect in the study since the study establish short and long runs relationship between the dependent and independent variables.

Million, Azime and Gollagari (2016) attempted to investigate the relationship between FDI flows and tax revenues in Ethiopia both at aggregate and disaggregate tax revenue levels such as income tax, corporate tax, trade taxes and business profit tax. The study uses time series methods and cointegration analysis using Auto-Regressive Distributed Lag model and error correction model for the period 1974-2014 using a structural break for the year 1989. The results suggest that both foreign direct investment and gross domestic product had negative impact on the aggregate tax revenue both in the short run and long run. At disaggregated tax revenue components level mixed results have been observed.

The above study was conducted in Ethiopia and similar study can be conducted in Nigeria using multinational corporations investment in oil and gas sector. The study failed to indicate the

population of the study and the sample size of the study. The study adopted co-integration to ascertain the long run relationship between the dependent and independent variable. The period of study was long and this indicates that the result obtained is unique. The study also used Auto-Regressive Distributed Lag model and error correction model to establish the long and short run relationship between the variables as well as speed of adjustment. The study could be use granger causality test to indicate the direction of the influence of one variable on the other variable.

Lackson (2015) investigated the impact of Corporate Income Tax (CIT) on Foreign Direct Investment for twelve Southern African Economies using Panel Data Analysis. The estimation models applied are Fixed Effects Model, Random Effects Model and the Dynamic Panel Data Model. He found that Corporate Income tax rate has a significant negative effect on FDI.

The above study was conducted using twelve Southern African Economies but failed to mention these twelve Southern African Economies. The study used panel data and panel regression since it obtained a uniform data from twelve Southern African Economies. The study could have use co-integration, granger casualty test and vector error correction model. The study failed to indicate the population of the study and sample size of the study as well as sample size determination.

George and Bariyima (2015) examined the influence of tax incentives in the decision of an investor to locate FDI in Nigeria. Data were drawn from annual statistical bulletin of the Central Bank of Nigeria and the World Bank World Development Indicators Database. The work employs a model of multiple regressions using static Error Correction Modelling (ECM) to

determine the time series properties of tax incentives captured by annual tax revenue as a percentage of Gross Domestic Product (GDP) and FDI. The result showed that FDI response to tax incentives is negatively significant, that is, increase in tax incentives does not bring about a corresponding increase in FDI.

The above study was conducted in Nigeria by George and Bariyima in 2015 and similar study can also be study in Nigeria using multinational corporations in oil and gas sector. The study used foreign direct investment which similar study can use multinational corporations as a measured of foreign direct investment. The study failed to indicate the population of the study and the sample size of the study. The study used static Error Correction Modelling (ECM) without indicating long run relationship between the dependent and independent variable. The study could have used co-integration, granger casualty test and vector error correction modeling.

Ciasmy (2015) examined the effect of the corporate income tax rate on foreign direct investment (FDI) for Small Island Developing States (SIDS). He verified if the effective corporate tax rate on company profits, the Gross Domestic Product per capita (GDPpc), the market size and growth, the degree of openness, the availability of natural resources, the growth of the financial sector and the macroeconomic and political stability influence the behavior of FDI in 22 SIDS countries studied from 2004 to 2013. Empirical evidence based on data collected from World Bank, UNCTAD and Annual Reports of PWC is presented. The results of the partial adjustment model with panel data show that FDI is negatively related to both the corporate income tax rate,

The above study was conducted by Ciasmy in 2015 using Small Island Developing States (SIDS) and similar study can be conducted using multinational corporations investment in oil and gas sector in Nigeria. The study period was very short and the study could have use a period from

1970 to 2014. The study failed to indicate the population of the study and sample size of the study as well as sample size determination. The study failed to how the data was analysed and the methods of sorting the data.

Mihir, Foley and James (2015) examined the impact of indirect (non-income) taxes on FDI by American multinational firms, using affiliate-level data that permit the introduction of controls for parent companies and affiliate industries. Indirect tax burdens significantly exceed the foreign income tax obligations of foreign affiliates of American companies. Estimates imply that 10% higher local indirect tax rates are associated with 7.1% lower affiliate assets, which is similar to the effect of 10% higher income tax rates. Affiliate output falls by 2.9% as indirect taxes rise by 10%, while higher income taxes have more modest output effects. High corporate income tax rates depress capital/labor ratios and profit rates of foreign affiliates, whereas high indirect tax rates do not. These patterns reveal the impact of indirect taxes and suggest the mechanisms by which direct and indirect taxes affect FDI.

The above study was conducted using American multinational firms which are much to address a study to. The study could have used one sector of American multinational corporations. The study failed to indicate the population and sample size of the study. The study also failed to indicate how sample size was determined in the study scientifically. The study used correlation to ascertain the degree or strength of the relationship between the dependent and independent variable. The use of correlation which is the researcher did not indicate was very wrong. The study could have use co-integration, vector error correction model and granger casualty test.

Erhirhie and Osemwegie-Ero (2016) empirically examined the relationship between double taxation treaties and FDI in Nigeria. The secondary data source was employed as extracted from

several editions of the Central Bank of Nigeria (CBN) statistical bulletins from 1976 to 2016. The unit root test was employed to ascertain the stationary state of the variables in the model which was estimated using the ordinary least squares method. The result suggests that DTT is positively related with FDI, but not statistically significant.

The above study was conducted in Nigeria and data obtained was from central bank of Nigeria. The period of study was very long and this period is unique because it is adequate to provide good findings from the study. The study failed to indicate the population of the study and the sample size of the study as well as how sample size is determined in the study. The study used regression which is to ascertain the cause and effect relationship between the dependent and independent. The use of regression cannot provide information needed to establish direction of the influence or speed of adjustment.

2.3 Theoretical Framework

This section reviewed the related theories and models which forms the basis for developing a conceptual framework for the study. Several theories are there to explain government trade policies and foreign direct investment.

2.3.1 Theory of the Effect of Trade Policy Regime

The theory of the effect of trade policy regime on gain from FDI in a given host country was first presented by Bhagwati (1978) as an extension to his theory of immiserizing growth and further developed by Bhagwati (1985 and 1994); Brecher and Diaz-Alejandro (1977); Brecher and Findlay (1983). The theory of immiserizing growth follows the arguments of the theory of circular deterioration of terms of trade and concludes that countries, in order to improve their balance of trade, have to increase their exports to compensate for falling prices. This means a

further deterioration of terms of trade. The unchanged structure of supply intensifies the structural dependency and regardless of growth, there is no development but only immiserizing growth. This situation is especially pertinent for countries with agrarian monoculture.

However, the theory of the effect of trade policy regime on gain from FDI in a given host country postulates that FDI inflows coming into a country in the context of a restrictive, IS regime can retard, rather than promote growth. This is because in an Import Substitution regime, FDI (as well as domestic investment) mostly take place in sectors (mostly characterized by high capital intensity in production) where the host developing country does not have comparative advantage.

Moreover, FDI becomes an avenue for foreign companies to maintain their market share and to reap the extra profit, the economic rent, created by the highly protected domestic market. Such a regime also provides incentives for rent seeking and directly unproductive profit seeking (DUPE) activities. On the other hand, the Export Promotion regime, which aims to achieve neutrality in incentives, is superior to the IS regime in reaping gains from FDI. Under the Export Promotion regime the main incentives for FDI in a given host country are the relatively low labour cost and/or the availability of raw materials. This allows the foreign investors to operate in an environment that is relatively free from distortions. This also leads to the output expansion in internationally competitive and export oriented product lines. Moreover, the production of firms in an Export Promotion regime is not limited by the size of the domestic market and has the potential to reap economies of scale through international market penetration (Kohpaiboon, 2002).

2.3.2 Ownership, Location, and Internalization Paradigm Theory

This theory was first developed by Behrman and Grosse (1990) and Lecraw and Morrison(1991), but extends their analysis by incorporating the home country. The so-called OLI model is where OLI stands for ownership, location, and internalization. The framework is essentially based on the interaction between the O advantages of firms and the L advantages of countries and how these, in turn, affect the organisation of cross border, value-added activities (that is, the I advantages of MNEs) and the L advantages of countries and how these, in turn, affect the organisation of cross border, value-added activities (that is, the I advantages of MNEs). The schema contains eight components, or steps, which may precede some course of action, or set of actions, taken by governments.

The schema is essentially static in its approach. It assumes that, at a given moment of time, and within a particular global economic environment: MNEs possess a set of O-specific advantages and constraints and, according to their goals, and their opportunity sets and organisational structures, will pursue certain strategies to advance those goals. Similarly, nation states possess a set of L-specific advantages and constraints which, according to their goals and opportunity sets, will lead them to take certain actions. Such actions – as directed towards MNEs or to one or more of their affiliates – may range from the setting up of institutions designed to reduce information asymmetries and/or moral persuasion, through a gamut of more formal entry requirements and performance regulations to the outright prohibition of FDI in certain sectors, and/or allowing foreign investors only a minority equity stake in indigenous firms.

In terms of the eclectic paradigm, they believes that the answer rests, first, in the distinctive O-specific advantages of MNEs and the way in which they augment or combine these assets with

the indigenous resources, competences and intermediate products of the countries in which they are producing; and second, in the knowledge that, by their actions, governments may be able not only to influence the O advantages of their own MNEs (or potential MNEs), but also the attractiveness of their own L specific assets to inward investors. Governments, by their abilities to create new, or modify existing incentive structures, and influence market conditions and/or the efficiency of hierarchies, may also affect the capacity and willingness of both their own and foreign firms to internalise cross-border markets and to conclude collaborative alliances with foreign firms.

The theory further state that juxtaposition between the O advantages and strategies of MNEs and the L advantages and strategies of nation states is potentially of economic value to both parties. The actions of both governments as well as MNEs are fashioned by the interplay between the formal and informal institutions that support their activities. In the case of governments, the formal institutions include the different administrative systems employed, such as the institutions to enforce property rights, competition and the support of entrepreneurship and innovation. The incentive systems include the monetary and non-monetary rewards and penalties to support desired behaviour, including fiscal incentives, public recognition and fines.

The shared norms and values include a common understanding of the purpose and role of the government, the extent of individual rights and responsibilities, as well as the role of the family in economic and social life. Less directly, they also include many other aspects of national culture, including the values attached to equality, solidarity and honesty. In the case of the MNE, the formal institutions include, for example, specific structural forms (for example, a matrix organisation), the adoption of international accounting standards, and forms of corporate

governance (for example, a one- or two-tier board). As in the case of governments, incentive systems include the monetary and non-monetary rewards and penalties that support desired behaviour, including bonuses, promotion and disciplinary proceedings. The values and norms reflect not only the belief systems and customs of the home country of the MNE, but also those of its key decision makers, any shared values and norms that exist within the organisation, as well as those of the host countries in which the MNE operates (Dunning & Sarianna, 2008).

The net income resulting from MNE activity is distributed between the investing companies and the countries within which they operate. This issue is usually of less concern to capital-exporting countries as the surplus earned by their own MNEs (net of the taxes collected by the host country) accrues to it. But it may critically affect the judgment of the host country of the economic viability of an inbound investment. Here, the balance of the negotiating strengths and weaknesses of the two parties enters the picture. The outcome will affect the final structure and content of MNE activity and the actions taken by governments (Dunning & Sarianna, 2008).

Government action to affect the level and pattern of value-added activities by MNEs will, first and foremost, be a function of the interaction between the configuration of the L-specific assets, including institutional assets, under their jurisdiction, and the O-specific advantages of MNEs. Second, it will depend upon the government's evaluation of the likely impact of this interaction on their economic and other goals, as well as on the strategies they adopt to achieve these goals. Third, the ability of governments to modify their actions successfully depends, first, on the extent to which these actions are perceived by MNEs to advance or hinder their global or regional corporate objectives, and second, on the bargaining power of governments *vis-à-vis* that of the MNEs (Dunning & Sarianna, 2008).

2.3.3 Bargaining Theory of Trade Policy

The theory states that bargaining options only arise where, as a result (or an expected result) of MNE activity, an economic rent over and above the anticipated opportunity cost of the O- (ownership) specific advantages of MNE activity, and the anticipated opportunity cost of the L(location) advantages of the host countries, is earned, or thought likely to be earned (Dunning & Sarianna, 2008). Theory also believes that it is important to realise that unless both sets of opportunity costs are covered, no MNE activity will take place. The distribution of the surplus value or rent will then be determined by the bargaining positions and negotiating strengths of the two parties.

The bargaining outcome depends upon the value of these opportunity costs, together with the MNE's perceived assessment of the L advantages offered by the country, and that by the country of the O advantages offered by the MNE. Clearly, the MNE is in a strong position where its opportunity cost is low and when the government of the host country puts a high value on the MNE's contribution to its economic and social goals. By contrast, the host country's position is likely to be strongest where it has much to offer the MNE, and it is able to obtain the resources, capabilities and markets offered by the MNE from other sources (or produce or tap into them itself).

As might be expected, not only do the bargaining abilities of countries vary according to the configuration of their diamonds of competitive advantage (Porter, 1990) but, so too, will those of MNEs depend on the character and uniqueness of their O-specific advantages, and/or those which they are seeking from a foreign location. Yet, even with these bargaining 'chips', the outcome rests upon the negotiating abilities of firms and countries. These, in turn, will depend on

each party's knowledge about the other's options, of their perceptions of what each has to offer the other and on their respective negotiating experience and skills.

Difficulties of evaluation on the part of the host country, for example, will be particularly acute where its knowledge about the impact of MNE activity is limited, or where the outcome of such activity is likely to be multifaceted and to yield mixed benefits. The outcome of the negotiations may depend critically on the way they are handled, and on the competence of the government department or investment agency responsible for the final decision. We shall take up this point later. Finally, investment proposals may be assessed either by reference to general guidelines, which, while having the advantages of efficiency, clarity and objectivity, take no account of the distinctive features of individual projects, or on a case-by-case basis, which, while acknowledging the uniqueness of each project, can be very time consuming, and may send confused signals to MNEs as to how host governments are likely to evaluate their investment proposals (Dunning & Sarianna, 2008).

All other things being equal, the increasing demands for transparency and consistency in government policies towards foreign investors would suggest a preference for general policies, unless the government in question is exceptionally skilled at targeting investors. For example, while focusing on the informational failures in the market, and targeting specific investors did work in attracting investment in the case of Costa Rica, it is unlikely to work in Jamaica, due to the inability of the government to pursue consistent policies with respect to foreign investment (Mytelka and Barclay, 2004; Wint, 2005). None the less, a recent survey of 109 IPAs indicated that greater targeting was expected to be by far the preferred policy measure to attract FDI in 2005–08 (UNCTAD, 2005c:35).

Two other points should be noted about the bargaining process. The first is that most of the literature on the subject tends to focus on the interaction between MNEs and host countries *at the* time of the proposed entry by the foreign investor, even though the provisions sought by the host country may include post-entry performance requirements, or even a provision for divestment or ‘fade out’ after a stipulated time period.

However, *de facto* both the MNE and host government may wish to renegotiate the terms of the MNE’s presence at a later date. This is because the relative negotiating strengths of the MNE and host country may change once inward investment occurs. At one time, it was believed that as soon as an MNE entered a country, its bargaining position began to obsolesce as a result *inter alia* of its investment in immobile plant and equipment (Vernon, 1971) and the erosion of some of its O advantages through involuntary leakages or competition. In such cases, countries (and, for that matter, local business partners of joint ventures) might wish to renegotiate the terms originally agreed to tilt more of the value added to themselves. On the other hand, if the MNE yields more economic benefits than was originally envisaged, the host country may be tempted to give additional incentives for it to engage in more, or more high-valued, production (Dunning & Sarianna, 2008).

At the same time, if the inbound investors generate new and more valuable O advantages, or if they change the character or emphasis of their existing investments (for example, by engaging in more R&D or rationalised investment), it may wish to renegotiate the terms of the original agreement, particularly in respect of any performance constraints that were initially imposed upon it.

The second point about the bargaining process is that the host government may be able to influence its own ability to negotiate effectively by modifying its institutions and its economic strategy to make the country more attractive to foreign investors. Examples include the greater attention now being given to the role of IPAs, the relaxation of performance requirements, abolishing controls on dividend remissions or capital repatriations, and the removal of domestic structural market distortions. Such cases reflect a situation in which both parties may gain from the ‘right’ kind of government action which, as a later section in the chapter will show, have become more frequent in the past couple of decades. It is, then, difficult to generalise on the nature and direction of the obsolescing bargain as the O and I advantages of MNEs and the L advantages of countries are constantly shifting, as, indeed, are the respective opportunity costs of the bargaining parties (Dunning & Sarianna, 2008).

2.3.4 Mainstream Theory of Development

According to the mainstream theory of development, when a country has a low level of savings, those savings should be complemented with foreign investment (Bresser, 2007). The argument is that one should adopt a policy of growth with “foreign savings” and with open capital account, because the capital - rich countries would transfer these surplus funds to developing countries and those resources would go to the productive sector. Countries with an abundance of capital would have a lower marginal productivity of capital in comparison with developing countries and the opening of the capital account would allow equalization of marginal productivities of capital around the world. Thus, developing countries would pay their debts without major problems and even increase their (and the world) welfare.

Therefore, poor countries could live with appreciated real exchange rates and current account deficits (Bresser, 2007), relying on capital transfers to fill the gap between these deficits and a sustainable Balance of Payments. However, there are several negative consequences of the opening of the capital account. We can stress two main problems related to this opening: first the high volatility of capital and, second, that developing countries, in general, could not get loans in their own currency (Bresser, 2007). When developing countries follow this model of economic growth, the exchange rate becomes the most important factor because it indicates whether the country has accepted the use of “foreign savings”(i.e, current account deficits) to grow or even in a more profligate manner, that is to say, wasting reserves in trade without much growth, investment, etc.

2.3.5 Dependency Theory

Dependency theory was developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. Prebisch and his colleagues were troubled by the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poorer countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto optimal) even if the benefits were not always equally shared.

Prebisch's initial explanation for the phenomenon was very straightforward: poor countries exported primary commodities to the rich countries who then manufactured products out of those commodities and sold them back to the poorer countries. The "Value Added" by manufacturing a

usable product always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their export earnings to pay for their imports.

Prebisch's solution was similarly straightforward: poorer countries should embark on programmes of import substitution so that they need not purchase the manufactured products from the richer countries. The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad.

Three issues made this policy difficult to follow. The first is that the internal markets of the poorer countries were not large enough to support the economies of scale used by the richer countries to keep their prices low. The second issue concerned the political will of the poorer countries as to whether a transformation from being primary products producers was possible or desirable. The final issue revolved around the extent to which the poorer countries actually had control of their primary products, particularly in the area of selling those products abroad. These obstacles to the import substitution policy led others to think a little more creatively and historically at the relationship between rich and poor countries.

At this point dependency theory was viewed as a possible way of explaining the persistent poverty of the poorer countries. The traditional neoclassical approach said virtually nothing on this question except to assert that the poorer countries were late in coming to solid economic practices and that as soon as they learned the techniques of modern economics, then the poverty would begin to subside. However, Marxists theorists viewed the persistent poverty as a consequence of capitalist exploitation. And a new body of thought, called the *world systems*

approach, argued that the poverty was a direct consequence of the evolution of the international political economy into a fairly rigid division of labor which favored the rich and penalized the poor.

According to Aremu (2005), dependency theory maintains that, the poorness of developing countries is due to: imperial neglect; overdependence upon primary products as exports to developed countries; foreign investors' malpractices, particularly through transfer of price mechanics; foreign firm control of key economic sectors with crowding-out effect of domestic firms; implantation of inappropriate technology in developing countries; introduction of international division of labour to the disadvantage of developing countries; prevention of independent development strategy fashioned around domestic technology and indigenous investors; distortion of the domestic labour force through discriminatory remuneration; and reliance on foreign capital in form of aid that usually aggravated corruption. Furthermore, the dependency theorists also focused on the several ways by which, FDI of multinational corporations distort developing nation economy.

Some scholars of this theory believed that, distortive factors include the crowding out of national firms, rising unemployment related to the use of capital-intensive technology, and a marked loss of political sovereignty (Umah, 2007). It has also been argued that FDI are more exploitative and imperialistic in nature, thus ensuring that the host country absolutely depends on the home country and her capital. (Anyanwu, 1993). This theory from its points of analysis could be discovered that it creates negative relationship between FDI and economy growth of the developing countries. The theory is of great belief that the economy involvement of developed countries into developing nations under multinational companies and FDI will surely resort to economy disadvantages of developing nations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study used ex-post facto research design or after-the-fact study in studying the effect of Government Trade Policies and foreign direct investment with a particular reference to oil and gas sector in Nigeria. The ex-post facto research design is used because it is a method of teasing out possible antecedents of events that have happened. It was also used because ex-post research design or after-the-fact is a research design in which the investigation starts after the fact has occurred without interference from the researcher and it is common and useful when using human subjects in real-world situations.

3.2 Population, Sample Size and Sampling Technique

The population of this study included all the joint venture foreign direct investment in Oil and Gas sector in Nigeria. According to Nigerian National Petroleum Corporations, 2017, the population of this study is five (5) Oil and Gas foreign direct investors in Nigeria, as shown in the table below:

Table 3.1: Population of the Study

Name of the Company	Country of origin	Joint Venture Name
<u>Royal Dutch Shell</u>	Britain/Dutch	Shell Petroleum Development Company of Nigeria Limited (SPDC), usually known simply as <u>Shell Nigeria</u>
Chevron	America	Chevron Nigeria Limited (CNL)
<u>Exxon-Mobil</u>	America	Mobil Producing Nigeria Unlimited (MPNU)
<u>Agip</u>	Italia	Nigerian Agip Oil Company Limited (NAOC)
Total	French	Total Petroleum Nigeria Limited (TPNL)
Texaco (now merged with Chevron)	America	NNPC Texaco-Chevron Joint Venture (formerly Texaco Overseas Petroleum Company of Nigeria Unlimited)

Source: Nigerian National Petroleum Corporations, 2017

The sample size of this study also included the five (5) Oil and Gas foreign direct investors (Multinational Corporations) in Nigeria. This is used because the study considered aggregate data of the sector and the listed foreign direct investors. The study used convenience sampling technique, since the elements of such a sample are picked only on the basis of convenience in terms of availability, reach and accessibility.

3.3 Methods of Data Collection

The study used secondary method of data collection. However, the study relied on reports from Central Bank of Nigeria for the data. The reason for using this service is that data from Central Bank of Nigeria bulletin is authentic and unique and reflected the position of involvement of Government Trade Policies and foreign direct investment (oil and gas sector) in Nigeria. It is

also used because it keeps proper records regarding Government Trade Policies in terms of trade openness, Tax policy (tax rate), Balance of Payment Policy (expenditure reducing policy and expenditure switching policy) which is represented by current account and capital account, export, Trade Openness Policy (import and gross domestic product (GDP)), while on the other-hand, foreign direct investment data in terms of Foreign Direct Investment inflow, corruption perception index and exchange rate are also documented by the Central Bank of Nigeria statistical bulletin on yearly basis.

3.4 Techniques of Data Analysis and Model Specification

The study used various procedures in analysing the data ranging from descriptive statistics, correlation matrix, unit root test, co-integration and Vector Error Correction Model.

3.4.1 Table 3.2: Measurement of Variables

S/N	Variables	Measurement
1.	FDI	Equity Capital+ Re-invested Earnings+ Intra Company Loans (Foreign Direct Investment from abroad) (UNCTAD, 2012)
2.	Government Trade Policies	Trade Openness, Tax Policy and balance of Payment
3.	Trade openness	Import substitution plus export promotion divide by gross domestic product (Dollar & Karaay, 2001; Tonia & Margaret, 2006)
4.	Tax policy	Tax Rate (Ali, 2015)
5	Balance of payment policy	Capital account plus current account (Lipsey & Chrystal, 2007)
6	Controlled variables	Corruption and Exchange rate (self decision based on the suitability of the work)
7	Exchange Rate	Exchange rate (Becksm 2011)
8	Corruption	Corruption Perception Index (Abramo, 2008; Razafindrakoto & Roubaud, 2010; Rose & Misher, 2010)

Source: Author Computation, 2018

3.4.2 Descriptive Statistics

The study used mean, median, skewness, kurtosis, standard deviation, maximum in value, minimum in value, Jarque-Bera, Probability and observation. The mean is used to establish the average of number of scores. It calculated the central value of a set of numbers and is used to

represent the typical value of the variables. Therefore, it serves as a yardstick for all observations in the variables. Similarly, the standard deviation is used to quantify the amount of variations or dispersions of a set of data values in the variables. In addition, skewness is a measure of the asymmetry of the probability distribution of a real-valued random variables about its mean. Moreover, the skewness value can be positive or negative, or undefined and it is indicated as +1 and -1. Kurtosis is a statistical measure that is used to describe the distribution of observed data around the mean, sometimes referred to as the volatility of volatility. Kurtosis is used in the statistical field to describes trends in charts and can be present in a chart with fat tails and a low, even distribution, as well as be present in a chart with skinny tails and a distribution concentrated toward the mean. Furthermore, the Jarque–Bera test is a goodness-of-fit test of whether sample data have the skewness and kurtosis matching a normal distribution. The decision rule is that if the probability value is more than 5% level of significance that implies that the variable have skewness and kurtosis matching a normal distribution.

3.4.3 Correlation

The correlation coefficient is denoted by r which indicates either -1 or +1, showing the direction and degree of the linear association between variables. Correlation coefficient could be positive or negative. The sign (positive and negative) of the correlation coefficient shows that the direction of the association between the variables. The magnitude of the correlation coefficient indicates the degree of the association. A correlation of $r = 0.8$ shows that there is a strong, positive association between two variables, whereas a correlation of $r = -0.3$ indicates a weak, negative association. A correlation close to zero suggests no linear association between two variables. Correlation is use to ascertain the strength or degree of the relationship between

variables. This implies that if the correlation coefficient is negative, it means that there is negative relationship between variables. Similarly, if the correlation coefficient is positive, it shows that there is a positive relationship between variables.

Correlation model

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{(n\sum x^2) - (\sum x)^2 (n\sum y^2) - (\sum y)^2\}}} \dots\dots\dots\text{equation}$$

Where:

r = Correlation Coefficient

x = proxies for inflow of FDI

y = proxies for Government trade policies

n = number of observations

3.4.4 Unit Root Test

A non-stationary time series has a different mean at different points in time and its variance increases with the sample size. Non-stationary data, as a rule, are unpredictable and cannot be modeled or forecasted. The results obtained by using non-stationary time series might be spurious in that they might indicate a relationship between two variables which in essence does not exist. In order to achieve consistent and reliable results, the non-stationary data was transformed into stationary data.

Regression of non-stationary time series may cause a spurious or non-sense regression. On the other hand, a series is said to be stationary if its mean and variance are constant over time and the value of the covariance between the two time periods depends only on the distance or gap or lag between the two time periods and not the actual time at which the covariance is computed

(Gujarati, 2004). Therefore, the first thing in an econometric is to check whether a series is stationary or not, since non-stationary series behaviour can only be studied only for the period under consideration.

A non-stationary time series that becomes stationary after differencing d times is said to be integrated of order d (Gujarati, 2004). This is written as I(d). A series may be difference or trend stationary. A difference stationary series becomes stationary after successive differencing while a trend stationary series becomes stationary after deducting an estimate d constant and a trend from it. To establish the order of integration of a series, a unit root test performed. There is tests for examining the existence of unit root problem. The Dickey –Fuller (DF) is suitable, if the error term (μ_t) is not correlated and it becomes inapplicable if error terms (μ_t) are correlated.

To test the causality and co-integration between government trade policy and multinational corporations, at first, the stationary properties of the time series is checked by unit root test using Dickey Fuller test, it is based on the following regression equation with a constant and a trend in the form as follows:

$$\Delta Y_t = \beta_1 + \beta_2 + \delta Y_{t-1} + \alpha_i \sum_{i=1}^m \Delta Y_{t-1} + \varepsilon_t \dots\dots\dots 15$$

Where Δ is the first difference operator and ε_t is the stochastic error term and δ is the number of lags in the variable. The null hypothesis (H_0) of a unit root indicates that the coefficient of Y_{t-1} is zero while alternative hypothesis (H_1) implies Y_t is stationary. If the null hypothesis is rejected then the series is stationary and no differencing in the series is essential to establish stationarity or the null hypothesis of non-stationary is rejected if the ADF test statistic in absolute term is more than the critical test value at 5% level of significance.

The stationarity or otherwise of a series can strongly influence its behaviour and properties -e.g. persistence of shocks may be infinite for Nonstationary series. Spurious regression is that if two variables are trending over time, a regression of one on the other may have a high R^2 even if the two are totally unrelated. If the variables in the regression model are not stationary, then it may be proved that the standard assumptions for asymptotic analysis are not valid. In other words, the usual “t-ratios” do not follow a t-distribution, so it cannot validly undertake hypothesis tests about the regression parameters.

3.4.5 Co-Integration Test

Granger (1981) introduced the concept of co-integration. Co-integration is the statistical implication of the existence of a long run relationship between the variables which are individually non-stationary at their level form but stationary after first difference (Gujarati, 2004). The theory of co-integration can therefore be used to study series that are non-stationary but a linear combination of which is stationary. Where any of the variables that is modeled is found to have no unit root problems, a co-integration test is carried out which implies that co-integration is a statistical property of a collection of time series variables. First, all the series must be integrated of order 1 and if a linear combination of this collection is integrated of order zero, then the collection is said to be co-integrated. Also, if two or more series are individually integrated (in the time series sense) but some linear combination of them has a lower order of integration, then the series are said to be cointegrated. A common example is where the individual series are first-order integrated but some (cointegrating) vector of coefficients exists to form a stationary linear combination of them.

The Johansen and Juselius co-integration technique is used to determine the long run equilibrium relationship between the variables in the model and in this technique two test statistics known as

the trace statistic and the maximum eigenvalue is used to identify the number of co-integrating vectors and two variables may be cointegrated if both their Max-Eigen and Trace statistic are greater than their critical values respectively. Johansen test for co-integration is used to test long term relationships between multinational corporations and government trade policy. It is necessary to define appropriate time lag length within this test. Here, an Akaike criterion is used while determining the appropriate lag length, which is applied for the non-differentiated VAR model estimation. Long term relationships test between FDI and government trade policies are performed in this study.

The hypothesis of co-integration is accepted if the number of co-integrating relationships is greater than or equal to one. The decision rule compares the likelihood ratio to the critical value for a hypothesized number of co-integrating relationships. If the likelihood ratio is greater than the critical value, the hypotheses of co-integration is accepted, if not it is rejected.

3.4.6 Granger Casualty Test

The study asserted that if the data is found to be co-integrated in the model, the researcher carried out Granger test which is used to determine the strength and the direction of causality between variables. Granger causality is a bottom up procedure, where the assumption is that the data-generating processes in any time series are variables; then the data sets are analyzed to see if they are correlated. This is used because some correlations may be spurious and not useful, as there might be a third variable that cannot be accounted for, hence the essence of performing the causality test. It also be used in measuring similarities in strength and direction between two variables and according to Granger (1969) is enough to construct a complete understanding about the relationship between two or more time series. Also, Granger causality test is used to

explore the existence of a bi-directional causality between government trade policies and FDI for the period. If FDI is helpful in forecasting government trade policies, then the researcher may say that FDI Granger-causes government trade policies. However, if FDI causes government trade policies and not versa vice, then the researcher may say there is unidirectional causality exists from FDI and government trade policy.

3.4.8 Vector Error Correction Model (VECM)

Vector Error correction model explains the speed of adjustment towards the long run equilibrium. Initially, if the variables confirm the existence of co integration, then the Vector Error Correction Model (VECM) is estimated. Granger and Weiss (1983) and Engle and Granger (1987) pointed out that if two variables are co-integrated in first difference, their relationship can be expressed as the VECM by taking past disequilibrium as explanatory variables for the dynamic behavior of current variables. The VECM method corrects the equilibrium error in one period by the next period (Maddala, 1992).

The study also noted if cointegration among variables solely shows a long run equilibrium relationship; in fact, there may be disequilibrium in the short run. To investigate the short run dynamics among the concerned time series variables, Vector Error Correction Model (VECM) is developed in this study. Vector Error Correction Model (VECM) is used to correct the short-run disequilibrium among the variables in the model and also to reconfirm the direction of causality of the variables in the model.

The mathematical model of this study is stated below

$$Y = a+bx \text{ -----} 1$$

y = dependent variable

a= intercept or constant,

b = the coefficient and

x =independent variable

However, this mathematical model is expressed as a functional model based on the objectives of this study. The study incorporated trade openness and foreign direct investment as showing below:

Model 1: Trade Openness and Foreign Direct Investment (Represented by TO and FDIOG)

TO= f(FDIOG,CPI,EXR) ----- (2)

The model is also expressed as:

FDIOG =F(TO,CPI,EXR) ----- (3)

All the series are expressed in a log- linear form in equation from 2 & 3 into equation 4 and 5.

This is an account that log linear specification provides consistent and reliable result (Schahbaz, Tang & Shabbir, 2011). It is expressed as follows:

lnTO= (lnFDIOG+lnCPI+lnEXR) -----(4)

lnFDIOG = (lnTO+lnCPI+ lnEXR) -----(5)

Using the above models, the Vector Error Correction Model specifications for hypothesis one are presented below:

$$\Delta \ln FDIOG = \alpha_0 + \alpha_1 \Delta \ln FDIOG_{t-1} + \alpha_2 \ln TO_{t-i} + \alpha_3 \ln CPI_{t-i} + \alpha_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t1} \dots \dots \dots (6)$$

$$\Delta \ln TO = \beta_0 + \beta_1 \Delta \ln TO_{t-1} + \beta_2 \ln FDI OG_{t-i} + \beta_3 \ln CPI_{t-i} + \beta_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t2} \dots \dots \dots (7)$$

$$\Delta \ln CPI = \beta_0 + \beta_1 \Delta \ln CPI_{t-1} + \beta_2 \ln TO_{t-i} + \beta_3 \ln FDI OG_{t-i} + \beta_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t2} \dots \dots \dots (8)$$

$$\Delta \ln EXR = \beta_0 + \beta_1 \Delta \ln EXR_{t-1} + \beta_2 \ln CPI_{t-i} + \beta_3 \ln TO_{t-i} + \beta_4 \ln FDI OG_{t-i} + Ect - 1 + \varepsilon_{t2} \dots \dots \dots (9)$$

Model 2: Balance of Payment and Foreign Direct Investment (Represented by BP and FDI OG)

$$BP = f(FDI OG, CPI, EXR) \dots \dots \dots (10)$$

The model is also expressed as:

$$FDI OG = F(BP, CPI, EXR) \dots \dots \dots (11)$$

All the series in model 2 are expressed in a log- linear form from equation 10 & 11 into equation 12 and 13. This is an account that log linear specification provides consistent and reliable result.

The further models specifications with log are stated below:

$$\ln BP = (\ln FDI OG + \ln CPI + \ln EXR) \dots \dots \dots (12)$$

$$\ln FDI OG = (\ln BP + \ln CPI + \ln EXR) \dots \dots \dots (13)$$

Using the above models, the Vector Error Correction Model specifications for hypothesis one are presented below:

$$\Delta \ln FDI OG = \alpha_0 + \alpha_1 \Delta \ln FDI OG_{t-1} + \alpha_2 \ln BP_{t-i} + \alpha_3 \ln CPI_{t-i} + \alpha_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t1} \dots \dots \dots (14)$$

$$\Delta \ln BP = \beta_0 + \beta_1 \Delta \ln BP_{t-1} + \beta_2 \ln FDI OG_{t-i} + \beta_3 \ln CPI_{t-i} + \beta_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t2} \dots \dots \dots (15)$$

$$\Delta \ln CPI = \beta_0 + \beta_1 \Delta \ln CPI_{t-1} + \beta_2 \ln BP_{t-i} + \beta_3 \ln FDI OG_{t-i} + \beta_4 \ln EXR_{t-i} + Ect - 1 + \varepsilon_{t2} \dots \dots \dots (16)$$

term, and t is time in all the models 1 -3 presented above. The error term, ε_t is incorporated in the equations to cater for other factors that may influence the variables.

3.5 Justification of Methods

Ex-post facto research design is used because it is after the fact which implies that fact and data are recorded and kept at Central Bank of Nigeria statistical Bulletin. The Central Bank of Nigeria statistical Bulletin shall provide unique and authentic fact or data needed to carry the research of this nature. Correlation shall be useful because it shows the degree of the relationship between the variables and descriptive statistics are useful because it indicates the mean, median, maximum, minimum, skewness, kurtosis, probability and Jarque-Bera and these are useful in explaining the basic statistics that describe the average numbers in the variable and also indicating the normality of the data set. The study used unit root test to ensure the stationarity of the data and the stationary properties of the time series is checked by unit root test using Dickey Fuller test which is useful as guide in determining the nature of data to use. The study used co-integration technique of Johansen and Juselius is useful in determining the long run equilibrium relationship between the variables in the model.

Granger casualty test is useful because some correlations may be spurious and not useful, as there might be a third variable that cannot be accounted for, hence the essence of performing the causality test. It also used in measuring similarities in strength and direction between two variables and Vector Error Correction Model is useful in correcting the short-run disequilibrium among the variables.

Based on multiple function models of government trade policies and foreign direct investment in oil and gas sector of Nigeria, it is believed that $GTO=F(\text{FDI}, \text{CPI}, \text{EXR})$ or $\text{FDI}=F(\text{GTP})$. However, each of these independent variables can also be considered as a dependent variable. Theoretically, the government trade policies can influence and attract FDI inflow into the country. The models therefore, captures the two perspectives of dependent and independent variables where FDI is a function of the government trade policies and government trade policies are also a function of FDI. As stated above, each model has two equations that reflect bidirectional e function (FDI and government trade policies). The most appropriate statistical tool in this study is vector error correction model used to ascertain the casual relationship between the variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

The data presented and used in this study were represented by CPI, EXR, TR, TO, BOP and they were for the period of 48years (1970 to 2017). The CPI means Corruption Perception Index and it was represented in percentage, EXR means Exchange Rate which was presented in percentage in the study, TR is the Tax Rate also presented in percentage, BOP was the Balance of Payment which was presented in the study in million, TO was the Trade Openness which was presented in the study in percentage while Foreign Direct Investment in Oil and Gas sector in Nigeria was also presented in the study (FDIOG) in millions. The detail description of the whole data indicating all the variables were in appendix B. The data were logged and used to analysed the data as also presented in Appendix C.

Table 4.1: Descriptive Statistics of the Variables

	FDIOG	TR	TO	BOP	EXR	CPI
Mean	1.30E+10	0.367708	178.7924	6508.771	62.11624	10.34167
Median	922321.4	0.350000	0.750900	607.5500	21.88610	1.800000
Maximum	27380.74	0.450000	2300.000	1124157.	305.3000	28.00000
Minimum	623.6100	0.300000	0.223500	-563483.9	0.505000	0.770000
Std. Dev.	4.84E+10	0.068796	597.4972	203028.9	74.88245	10.90002
Skewness	4.219725	0.184299	3.030907	3.029540	0.983229	0.499249
Kurtosis	20.65914	1.210404	10.22481	21.64367	3.283971	1.480237
Jarque-Bera	766.1390	6.677036	177.8870	768.5981	7.895200	6.613355
Probability	0.000000	0.035490	0.000000	0.000000	0.019301	0.036638
Sum	6.23E+11	17.65000	8582.034	312421.0	2981.579	496.4000
Sum Sq. Dev.	1.10E+23	0.222448	16779134	1.94E+12	263546.9	5584.092
Observations	48	48	48	48	48	48

Source: E-Views 9.0 Output, 2018

The table showed that Foreign Direct Investment in Oil and Gas (FDIOG) has a mean value (average) of 1.30 over the period of review. The table revealed that median value of 922321.4 which showed that the absence of outliers in the values. It has a maximum value of 272980.74 which was obtained in the year 2017. It also has a minimum value of 623.61; it was obtained in the year 1970, due to import substitution policy of 1970. The variable has a standard deviation of 4.84 which suggested that the value of the observation was spread across its mean value of 1.30. The skewness statistics of the variable was 4.219725, suggesting that was positive, while the kurtosis statistics of 20.65914 suggested that the observation was leptokurtic in distribution. The Jaque-Bera statistics 766.1390 with a probability value of 0.00 suggested that the FDIOG was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.1 above also indicated that tax rate (TR) for foreign direct investment in Oil and gas sector in Nigeria has a mean value of 0.36 over the period of study and a median value of 0.35. It has a maximum value of 0.45 which was obtained in the year 1970 to 1986 due to structural adjustment programmes of 1986 to date. The variable has a minimum value of 0.30 which was obtained in the year 1997 to 2017 due to encouraging foreign direct investment in oil and gas sector to invest in Nigeria. The standard deviation value of 0.06, suggested that the observations were spread around the mean value of 0.36. The observations were negatively skewed as suggested by the skewness statistic 0.18. The kurtosis statistics 1.21 suggested that the observations form a leptokurtic distribution. The Jaque-Bera statistic that 6.67 with a probability value of 0.03 suggests that the TR was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.1 above also showed that Trade Openness (TO) which allowed foreign direct investment in Oil and Gas sector into Nigeria has a mean value of 178.792 over the period of study and a

median value of 0.75. It has a maximum value of 2300.00 which was obtained in the year 2016 due to structural adjustment programmes of 1986 to date. The variable has a minimum value of 0.223 which was obtained in the year 2002 due to structural adjustment programmes of 1986 to date and needs era of 1999-2006. The standard deviation value of 597.4972 which suggested that the observation was spreads around the mean value of 178.792. The observations were positively skewed as suggested by the skewness statistic 3.03. The kurtosis statistics 10.22481 suggested that the observations form a leptokurtic distribution. The Jaque-Bera statistic that 177.8870 with a probability value of 0.00 suggested that the TO was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.1 above indicated that Balance of Payment (BOP) which allowed foreign direct investment in Oil and Gas Sector into Nigeria has a mean value of 6508.771 over the period of study and a median value of 607.5500. It has a maximum value of 1124157 which was obtained in the year 2004 due to expenditure reducing policy of the federal government of Nigeria. The variable has a minimum value of -56348.91 which was obtained in the year 2002 due to expenditure reducing policy of the federal government of Nigeria. The standard deviation value of 203028.9 which suggested that the observation was spreads around the mean value of 6508.771. The observations were positively skewed as suggested by the skewness statistic, 3.02954. The kurtosis statistics 21.64367 suggested that the observations form a leptokurtic distribution. The Jaque-Bera statistic that 768.5981 with a probability value of 0.00 suggested that the BOP was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.1 above showed that Exchange Rate (EXR) which is the determinant of both Government Trade Policies and foreign direct investment in Oil and Gas sector in Nigeria, has a

mean value of 63.11 over the period of study and a median value of 21.88. It has a maximum value of 305.30 which was obtained in the year 2017 due to economic recession following a sustained drop in Gross Domestic Product (GDP) of about 2.06 percent in the second quarters of 2016, after falling by 0.36 percent in the previous three months. The Oil Sector continued to decline but at a slower pace and GDP annual growth rate in Nigeria was very low to 0.5% in 2017. The variable has a minimum value of 0.505 which was obtained in the year 1973 due to Indigenization Decrees of 1972 and 1974 which put the commanding heights of the Nigerian economy in the hands of Nigerians within the context of nationalism and there was low exchange rate since Nigerian were involved much in foreign exchange. The standard deviation value of 74.88245 which suggested that the observation were spreads across the mean value of 63.11. The observations were positively skewed as suggested by the skewness statistic value of 0.983229. The kurtosis statistics value of 3.283971 suggested that the observations form a leptokurtic distribution. The Jaque-Bera statistic value of 7.895200 with a probability value of 0.00 suggested that the EXR was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.1 above showed that Corruption which measured by Corruption Perception Index (CPI) which is the determinants of both Government Trade Policies and foreign direct investment in Oil and Gas Sector in Nigeria has a mean value of 10.34167 over the period of study and a median value of 1.80. It has a maximum value of 28.00 which was obtained in the year 2017 due to high level discovery of looted funds by public officers and politicians in Nigeria. The variable has a minimum value of 0.77 which was obtained in the year 1993 due to President Banbangida Military Government Economic Package- of introducing Structural Adjustment Programme (SAP) and at this time Nigerian Government was on the movement to high corruption. The

standard deviation value of 10.90 which suggests that the observation were spreads across the mean value of 10.34167. The observations were positively skewed as suggested by the skewness statistic value of 0.499. The kurtosis statistics value of 1.48 suggested that the observations form a leptokurtic distribution. The Jaque-Bera statistic value of 6.61 with a probability value of 0.03 suggested that the CPI was not normally distributed at 5% level of significance and it was log to correct it to normal.

Table 4.2: Trend Analysis of the Variables

Variables		Coefficient	Standard error	t-statistic	Probability
FDIOG	C	0.372667	0.010015	37.2126	0.000
	TYM	-3.82	2.20	-1.895	0.06
TR	C	8.27	3.74	2.21	0.03
	TYM	-1.90	1.00	-1.895400	0.06
TO	C	4.02	5.81	0.692716	0.4920
	TYM	50047029	9404856	5.321403	0.00
BOP	C	1.30	7.07	1.835287	0.0729
	TYM	-911.1303	35179.79	-0.025899	0.9794
EXR	C	-1.14	7.34	-1.549974	0.1280
	TYM	3.92	75886499	5.164655	0.0000
CPI	C	-6.61	8.86	-0.745611	0.4597
	TYM	1.89	5.93	3.193108	0.0025

Source: E-Views 9.0 Output, 2018

Table 4.2 showed the trend analysis of foreign direct investment (FDI) in Oil and Gas sector has a negative trend over period of study 1970- 2017. This was because the coefficient of time (TYM) -3.82, which suggested that foreign direct investment in Oil and Gas sector in Nigeria decreases by about -3.82 units annually during the period of study. The implication of this was that multinational corporations contribution to Nigeria economy was not encouraging since the their profit generated in Nigeria was re-invested in their home country and they also came to Nigeria with their expert staff who occupied managerial positions of the company that make major decision in the organization.

The table showed that Tax Rate by the Federal Government of Nigeria to foreign direct investment in Oil and Gas investment has a negative trend over the period of study, that is 1970 to 2017. The reason was that the coefficient of time (TYM) suggested that Tax Rate in foreign direct investment in Oil and Gas Sector in Nigeria decreases by -1.90 units annually during the period of study. The implication of this was that Government of Nigeria has continually since 1970 reduced tax rate to allowed foreign direct investment in Oil and Gas sector in invest their capital in Nigeria.

Table 4.2 also showed that Trade Openness in Nigeria which allowed foreign direct investment in Oil and Gas sector has a positive trend over the period of study, that is 1970 to 2017. The reason was that the coefficient of time (TYM) suggested that Trade Openness in foreign direct investment in Oil and Gas sector in Nigeria increases by 50047029 units annually during the period of study. The implication of this was that despite Federal Government restriction on import and export, the country still encouraged trade openness by allowing import and export of Oil and Gas in Nigeria.

Table 4.2 also showed that Balance of Payment which was export of Oil and Gas and import of Oil and Gas as a percentage of Gross Domestic Product has negative trend over the period of study, that is 1970 to 2017. The reason was that the coefficient of time (TYM) suggested that Balance of Payment in Oil and Gas sector in Nigeria decreases by -911.1303 units annually during the period of study. The implication of this was that Federal Government of Nigeria through their balance of payment policies of expenditure reducing and expenditure switching policy ensure that they control export and import in Nigeria to realized balance between capital account and current account.

The table 4.2 also indicated that Exchange Rate which affected the activities of foreign direct investment in Oil and Gas sector in Nigeria has positive trend over the period of study, that is 1970 to 2017. The reason was that the coefficient of time (TYM) suggested that Exchange Rate in Nigeria increases by 3.92 units annually during the period of study. The implication of this was that despite Government policies, exchange rate in Nigeria was still increasing and the value of money in Nigeria was very poor.

The table 4.2 also indicated that Corruption (Corruption Perception Index) has positive trend over the period of study, that is 1970 to 2017. The reason is that the coefficient of time (TYM) suggested that Corruption in Nigeria increases by 1.89 units annually during the period of study. The implication of this was that despite Federal Government of Nigeria effort in fighting corruption, corruption was still much in Nigeria. The more corruption is fought, the more people of Nigeria were corrupted.

4. 1: Graph of Balance of Payment

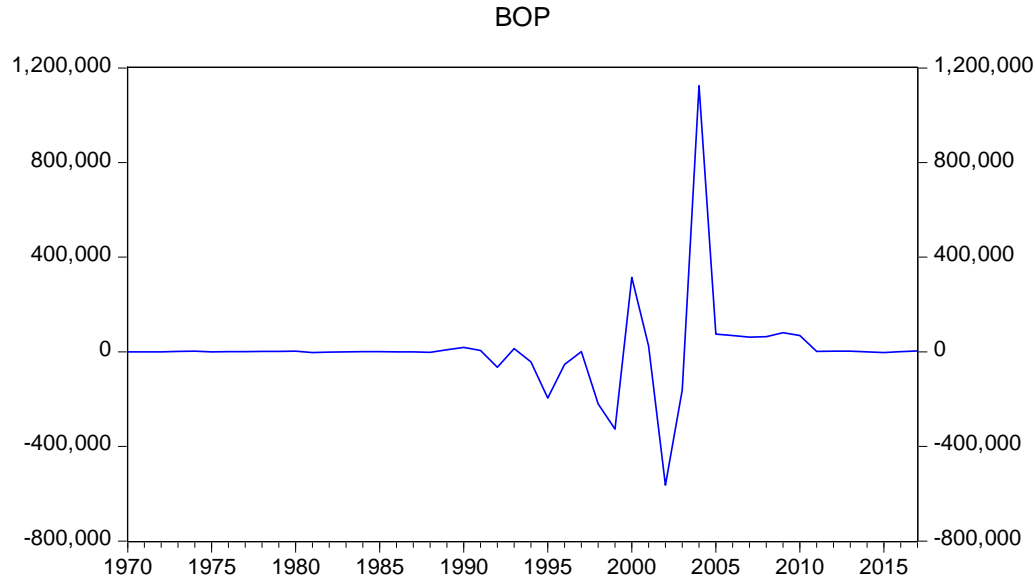


Fig. 4.1: Graphical Presentation of Balance of Payment

The graphical trend analysis of results presented in figure 1 revealed that Balance of Payment (BOP) has a lot of fluctuation over the periods of 1989– 2005. The reason for this fluctuation was because of expenditure reducing policy and expenditure switching policy. Also, the trend of balance of payment between 1970 -1990 was characterised by a very steady increase which due to expenditure switching policy of the Federal Government of Nigeria. However, from 2002 to 2005, there was a significant rise in the trend of Balance of Payment. The reason for the rise was because of expenditure reducing policy and expenditure switching policy. However, between 1989 and 2005, there has been a step rise and fall followed by another step rise and fall in Balance of Payment from 2005 to 2017. The reason for this was that expenditure reducing policy and expenditure switching policy were adopted at this period. The steep rise and fall was very slow in 2015 to 2017 due to economic recession recorded in Nigeria in 2015-2017. The reason for this policy was because of expenditure reducing policy of the Federal Government of Nigeria.

4. 1: Graph of Foreign Direct Investment in Oil and Gas

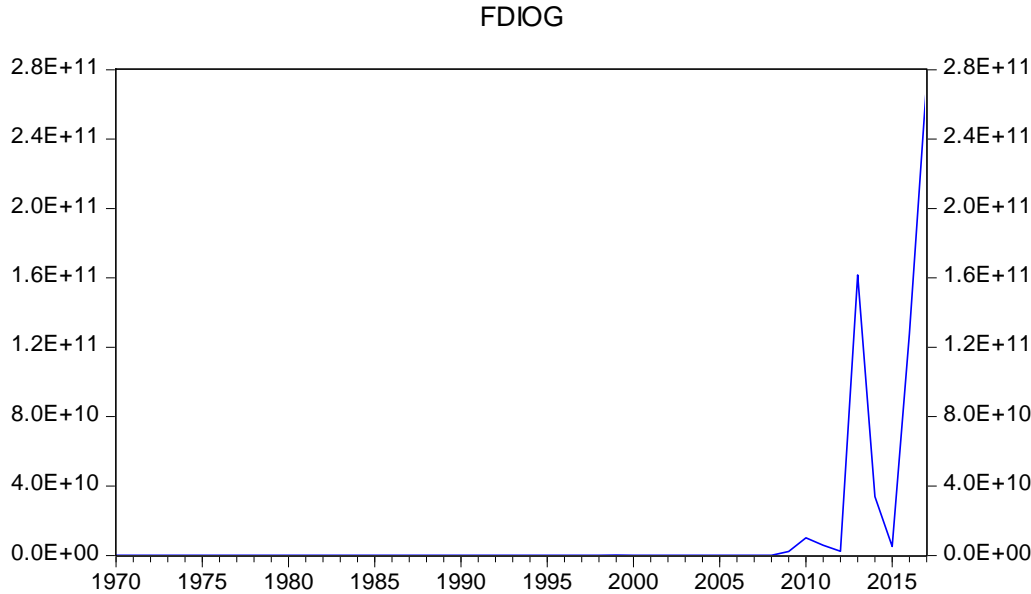


Fig. 4.2: Graphical Presentation of Foreign Direct Investment in Oil and Gas

The graphical trend analysis of results presented in figure 2 showed that Foreign Direct Investment in Oil and Gas sector in Nigeria (FDIOG) has a very little increase from 1970 to 2009 due to adoption of structural adjustment programme that ensured trade liberalization where import and export were traded freely in the economy and also there was a broke down of the policy due the NEED era of 2006. However, there was a little increase also in from 2010 and dropped in 2012 but also rise and fall from 2012 to 2017. The reason for such rise and fall was due to NEED era which integrated structural adjustment programme and investors in the Oil and Gas sector entered into Nigerian market because of the trade policy of liberalization and stablised the Oil sector.

4.3: Tax Rate

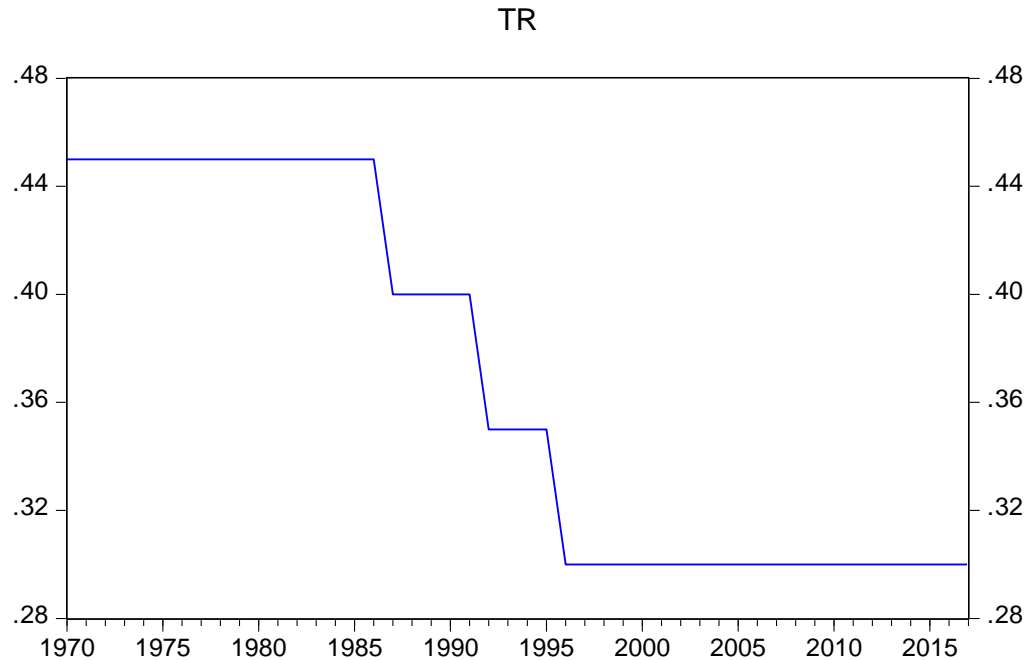


Fig. 4.3: Graphical Presentation of Tax Rate in Nigeria

The graphical trend analysis of results presented in figure 3 indicated Tax Rate in Oil and Gas sector in Nigeria (TR). The Tax Rate has a steady high increase at the same level from 1970 to 1986 and the reason for this was that Government of Nigeria regulated tax rate to allow foreign direct investment in Oil and Gas sector to enter into the Nigerian market. However, there was a little drop of tax rate from 1986 to 1987 to allow foreign direct investment in Oil and Gas sector to increase its numbers in Nigeria and their investment. The Tax Rate of the government was also in the same level from 1987 to 1991 due to reduction of tax rate by the Government and also a democratic Government of 1991 welcome foreign direct investment by reducing the Tax Rate to favour their investment in Nigeria. However, Government of Nigeria also made policy on tax which dropped from 1991 to 1992 but in 1992 to 1994 the Tax Rate of the Federal Government of Nigeria was at the same rate. The Tax Rate was dropped in 1995 to 1996 to favour the foreign

direct investment in Nigeria. Finally, from the graph, Government of Nigeria reduced the Tax Rate to 30% from 1996 to 2017 to ensure effective foreign direct investment in Nigeria. The implication of this graph was that government of Nigeria over the last 48 years involved in serious Tax Policy reduction to favour foreign direct investment in Nigeria.

4.4: Trade Openness

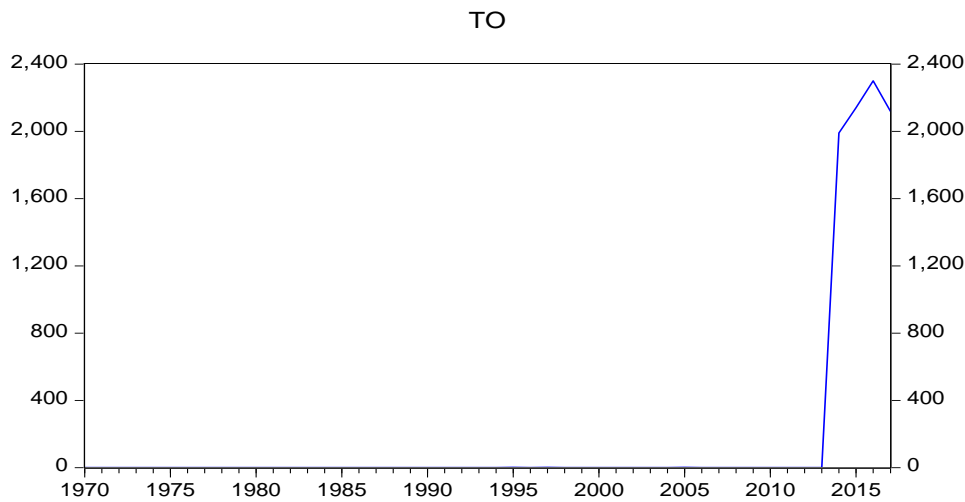


Fig. 4.4: Graphical Presentation of Trade Openness

The graphical trend analysis of results presented in figure 4 showed that Trade Openness that allowed foreign direct investment in Oil and Gas sector in Nigeria (TO) flowed at very small percentage in Nigeria since 1970 to 2013. The structural adjustment programme of 1986 brought little openness of trade in Nigeria which foreign direct investment inflow in Nigeria at very small rate. The Trade Openness increase in 2013 to 2014 on a straight line which implies the Nigeria at this time fully adopted Trade Openness Policy of 1986 by liberalizing the economy to favour inflow of investment from FDI in Nigeria. There was rise from the 2014 to 2016 but Trade Openness was at the increase which implies government Trade Openness permit foreigners to do investment in Nigeria with little restriction on export and import. During this period there was

increase in the Gross Domestic Product to N95,177,700,000,000 in 2015 and 102,575,000,000,000 in 2016 but dropped in 2017 due to economic recession in Nigeria. The implication of this was that Nigerian Government have a lot of restriction on trade and it was certain that Nigerian Government do not applied the full concept of Trade Openness in Nigeria.

4.5: Exchange Rate

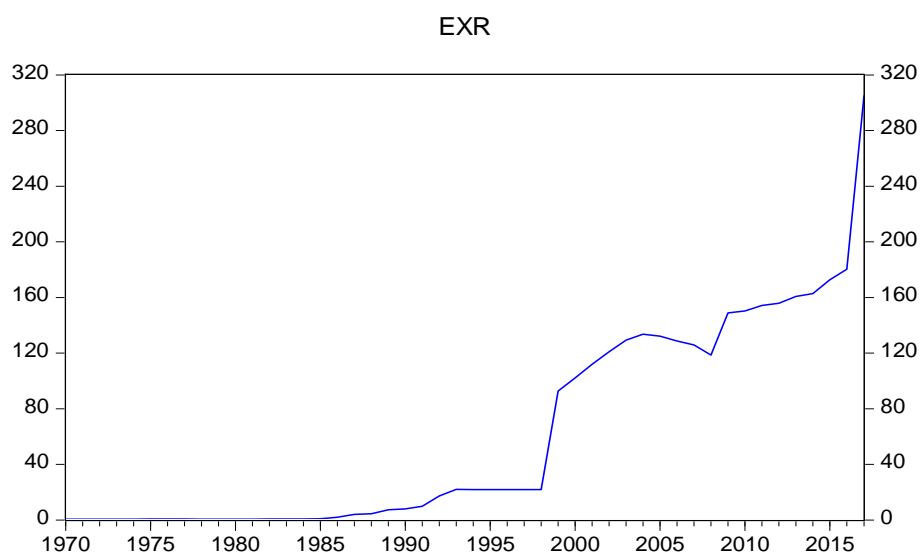


Fig. 4.5: Graphical Presentation of Exchange Rate

The graphical trend analysis of results presented in figure 4.5 showed that Exchange Rate was very low in Nigeria from 1970 to 1985. This was the time Nigerian Government used more of Agricultural products and export these agricultural product to other part of the world. Exchange Rate started to increase from 1986 with the adoption of structural adjustment programme which gave room for trade liberalization, tax policy and balance of payment. The exchange rate was on the high side from 1986 to 2015 which was as a result of adoption of structural adjustment programme of 1986. There was very high increase in exchange rate from 2016 to 2017 and this was as a result of economic policy on export promotion and import banned in Nigeria, as well as to encourage Agricultural farming in Nigeria. The implication of this was that exchange rate was

good during the 1970s but was unfavourable to the economy of Nigeria after adoption of structural adjustment programme(SAP) and was very high with the introduction of promoting agricultural in farming in Nigeria. However, the adoption of SAP in Nigeria brought high increase in exchange rate to Nigerian Economy.

Fig. 4.6: Corruption Perception Index

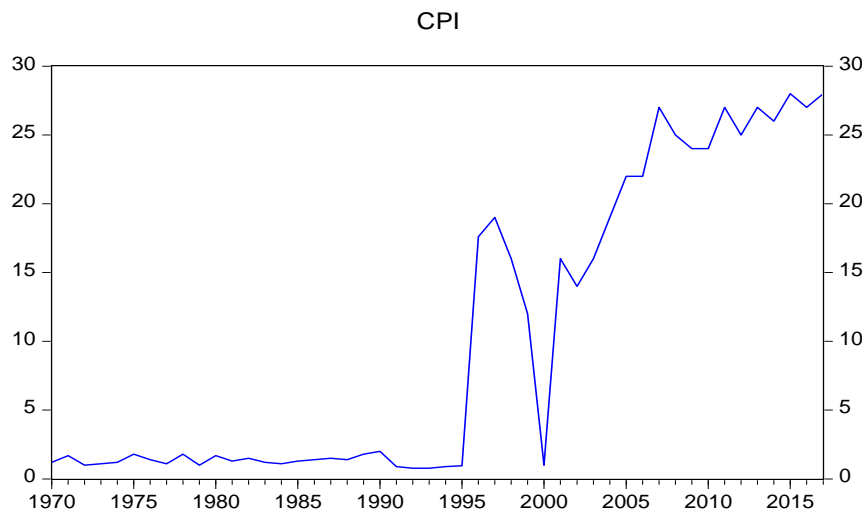


Fig. 4.6: Graphical Presentation of Corruption Perception Index in Nigeria

Figure 6 showed the graphical trend analysis of corruption in Nigeria. The graph indicated that corruption was very little from 1970 to 1995 but in fluctuating manner which showed that corruption in the form of dishonesty or criminal activity undertaken by a person or organization entrusted with a position of authority, often to acquire illicit benefit was very low at these periods. Corruption increased from 1995 to 1997 but drop from 1997 to 2000 and rise again in 2000 to 2001 and these were as a result of more activities of bribery and embezzlement in Nigeria. However, from 2001 to 2017 corruption in Nigeria was very high but fluctuating even with the establishment of Economic and Financial Crime Commission in 2003 by Nigerian Government, partially in response to pressure from the Financial Action Task Force on Money

Laundering (FATF), which named Nigeria as one of 23 countries for non-cooperative in the international community's efforts to fight money laundering. The implication of this graph was that corruption in 1970 to 1995 was very small in Nigeria but rise at very increasing rate from 1996 to 2017 which showed that majority of Nigerian are corrupt in ways and manners they were conducting their business activities and Government responsibilities.

Table 4.3: Correlation Matrix between FDI OG and TO

	FDI OG	TO	EXR	CPI
FDI OG	1.000000			
TO	0.617278	1.000000		
EXR	0.605833	0.581842	1.000000	
CPI	0.425952	0.472530	0.884182	1.000000

Source: Researcher's computation using, E-views 9.0, 2018

Table 4.3 revealed that Foreign Direct Investment in Oil and Gas (FDI OG), has strong positive correlation (0.61) with Trade Openness (TO). Foreign Direct Investment in Oil and Gas has strong positive correlation (0.60) with Exchange Rate (EXR) in Nigeria. Also, Foreign Direct Investment in Oil and Gas (FDI OG) has weak positive correlation (0.42) with Corruption (Corruption Perception Index) in Nigeria. Trade Openness (TO) has strong positive correlation (0.58) with Exchange Rate (EXR). Trade Openness (TO) has a weak positive correlation (0.47) with Corruption Perception Index. Exchange Rate (EXR) has a strong positive correlation (0.88) with Corruption (Corruption Perception Index) in Nigeria. These correlation showed that the indicants were appropriately selected. Thus, there was absent of multicollinearity or there was no problem of multicollinearity.

Table 4:4 Correlation Matrix between FDIOG and Balance of Payment

	FDIOG	BOP	EXR	CPI
FDIOG	1.000000			
BOP	-0.003819	1.000000		
EXR	0.605833	- 0.129463	1.000000	
CPI	0.425952	-0.096233	0.884182	1.000000

Source: Researcher's computation using, E-views 9.0, 2018

Table 4.4 showed the results of the correlation matrix by indicating Foreign Direct Investment in Oil and Gas (FDIOG), and showing that it has a weak negative correlation (0.003) with Balance of Payment (BOP). Foreign Direct Investment in Oil and Gas has a strong positive correlation 0.60 with Exchange Rate (EXR). However, Foreign Direct Investment in Oil and Gas (FDIOG) has a weak positive correlation 0.42 with Corruption Perception Index in Nigeria. Balance of Payment (BOP) has a weak negative correlation (0.12) with Exchange Rate (EXR). Balance of Payment (BOP) has a weak negative correlation (-0.09) with Corruption Perception Index. Exchange Rate (EXR) has a strong positive correlation 0.88 with Corruption Perception Index in Nigeria. These correlations indicated that the variables were appropriately selected and thus, there was no problem of multicollinearity.

Table 4:5 Correlation Matrix between FDIOG and TR

	FDIOG	TR	EXR	CPI
FDIOG	1.000000			
TR	-0.269149	1.000000		
EXR	0.605833	- 0.795060	1.000000	
CPI	0.425952	-0.830214	0.884182	1.000000

Source: Researcher's computation using, E-views 9.0, 2018

Based on the results of the correlation matrix, Foreign Direct Investment in Oil and Gas (FDIOG), has a negative correlation (0.26) with Tax Policy (Tax Rate: TR). Foreign Direct Investment in Oil and Gas has a positive correlation 0.60 with Exchange Rate (EXR). However, Foreign Direct Investment in Oil and Gas (FDIOG) has a positive correlation 0.43 with

Corruption Perception Index in Nigeria. Tax Policy which Is tax Rate (TR) has a strong negative correlation (0.79) with Exchange Rate (EXR). Tax Policy (Tax Rate) has a very strong negative correlation (-0.83) with Corruption Perception Index in Nigeria. Exchange rate (EXR) has a strong positive correlation 0.88 with Corruption Perception Index in Nigeria. These correlation showed that the variables were appropriately selected and thus, there was no problem of multicollinearity.

Table 4:6 Unit Root Test on the Variables

Variables	Level of stationarity	ADF-statistic	Significant values 1%, 5%, 10%	Order of Integration	Prob.(5%)
LFDI OG	constant (exogenous): Trend	6.630399	-3.58, -2.92, -2.60	1(1)	0.0000*
LTO	constant (exogenous): Trend	6.981034	-3.58, -2.92,-2.60	1(1)	0.0000*
LEXR	constant (exogenous): Trend	5.523439	-3.58, -2.92, -2.60	1(1)	0.0000*
LCPI	constant (exogenous): Trend	9.008773	-3.58, -2.93, -2.60	1(1)	0.0000*
LTR	constant (exogenous) Trend	7.106977	-3.58, -2.93, -2.60	1(1)	0.0000*
LBOP	constant (exogenous) Trend	7.934580	-3.58, -2.93, -2.60	1(1)	0.0000*

Source: Author's Computation using E-view 9.00
Probability values are indicated by *

Table 4.6 showed that LFDI OG, LTO, LEXR, LCPI, LTR and LBOP were not stationary at level and second difference but stationary at first difference due to the fact that the values of its ADF test statistics at first differences were greater than their corresponding critical values at 5% level of significance. Thus, LFDI OG, LTO, LEXR, LCPI, LTR and LBOP were stationary at first difference. Also, the variables were integrated of order one 1(1) which signify that cointegration

test, granger test and vector Error Correction Model test were appropriately and adequately needed in this study.

Table 4:7 Cointegration Results between Trade Openness and Foreign Direct Investment in Oil and Gas in Nigeria

Variables	Trace Stat	Critical Value	Max-Eigen Stat	Critical Value	Probabilities
LFDI OG & LTO	17.37312	15.49471	15.89494	14.26460	0.02/0.22
LFDI OG & LEXR	17.14163	15.49471	14.14826	14.26460	0.02/0.008
LFDI OG & LCPI	42.15249	15.49471	35.57986	14.26460	0.000/0.0110
LTO & LEXR	52.18337	15.49471	49.97652	14.26460	0.000/0.1374
LTO & LCPI	37.50649	15.49471	36.44466	14.26460	0.000/0.3028

Source: Researchers computation using E-views 9.0, 2018

Table 4.7 revealed Johansen and Josulius co-integration test and the test also revealed that there was a long-run relationship between the variables at 5% level of significance. The outcome of the Trace test statistic revealed that there were two co-integrating equation at 5% level of significance for LFDI OG & LEXR, LFDI OG & LCPI. Similarly, the result of the Max-Eigen test also revealed that there was one co-integrating equation at 5% level of significance for LFDI OG & LTO, LTO & LEXR and LTO & LCPI. Therefore, there was a long-run relationship between Foreign Direct Investment in Oil and Gas sector and Trade Openness in Nigeria. Also, there was a long run relationship between LFDI OG and LEXR. The study also found that there

was a long run relationship between LFDIOG and LCPI, LFDIOG and LTO, LTO and LEXR as well as LTO and LCPI.

Table 4:8 Cointegration Results between Balance of Payment and Foreign Direct Investment in Oil and Gas in Nigeria

Variables	Trace Stat	Critical Value	Max-Eigen Stat	Critical Value	Probabilities
LFDI OG & LBOP	27.50683	15.49471	27.29213	14.26460	0.0005/0.6431
LBOP & LEXR	30.17970	15.49471	23.95045	14.26460	0.002/0.0126
LBOP & LCPI	15.78351	15.49471	10.16451	14.26460	0.0452/0.0178

Source: Researchers computation using E-views 9.0, 2018

The results of the Johansen and Juselius co-integration test presented in table above found that there was a long-run relationship between the variables at 5% level of significance. The result of the Trace test statistic indicated that there were two co-integrating equation at 5% level of significance for LBOP & LEXR and LBOP & LCPI. Similarly, the result of the Max-Eigen test also suggested that there were two co-integrating equation at 5% level of significance for LBOP & LEXR and LBOP & LCPI. It was also found that Trace test statistic indicated that there was one co-integrating equation at 5% level of significance for LFDIOG & LBOP. In the same vein, the result of the Max-Eigen test also suggested that there was one co-integrating equation at 5% level of significance for LFDIOG & LBOP. Therefore, there was a long-run relationship between Foreign Direct Investment in the Oil and Gas sector and Balance of Payment in Nigeria.

Table 4:9 Cointegration Results between Tax Rate and Foreign Direct Investment in Oil and Gas in Nigeria

Variables	Trace Stat	Critical Value	Max-Eigen Stat	Critical Value	Probabilities
LFDIOG & LTR	17.20061	15.49471	22.79110	14.26460	0.016/0.003
LTR & LEXR	37.75900	15.49471	39.74300	14.26460	0.000/0.000
LTR & LCPI	66.84596	15.49471	69.03513	14.26460	0.000/0.000

Source: Researchers computation using E-views 9.0, 2018

The results of the Johansen and Josulius co-integration test presented in table above found that there was a long-run relationship between the variables at 5% level of significance. The result of the Trace test statistic indicated that there were two co-integrating equation at 5% level of significance for LFDIOG & LTR. Similarly, the result of the Max-Eigen test also suggested that there were two co-integrating equation at 5% level of significance for LFDIOG & LTR. It was also found that Trace test statistic indicated that there was one co-integrating equation at 5% level of significance for LTR &LEXR as well as LTR and LCPI. In the same vein, the result of the Max-Eigen test also suggested that there were two co-integrating equation at 5% level of significance for LTR &LEXR as well as LTR and LCPI. Therefore, there was a long-run relationship between Foreign Direct Investment in the Oil and Gas Sector and Tax Policy (Tax Rate) in Nigeria.

4.2. Data Analysis and Results

4.2.1: Causal Relationship between Trade Openness and Foreign Direct Investment in Oil and Gas in Nigeria

Table 4.10: Vector Error Correction Model

Error Correction:	D(LFDIOG)	D(LTO)	D(LEXR)	D(LCPI)
CointEq1	-0.014626	-0.331427	-0.008809	-0.021573
Standard Error	(0.12487)	(0.08096)	(0.02365)	(0.05032)
t-statistics	[-0.11714]	[4.09369]	[0.37251]	[0.42868]
CAUSALITY				
Causality runs from LTO to LFDIOG				
Causality runs from LTO to LEXR				
Causality runs from LTO to LCPI				
Causality runs from LCPI to LEXR				
Causality runs from LCPI to LFDIOG				
Causality runs from LEXR to LFDIOG				

Source: Researcher's computation using E-views 9.0, 2018.

Table 4.10 indicated that about 14% of short run disequilibrium was corrected by Foreign Direct Investment in Oil and Gas sector (LFDIOG) in each period. It also revealed that 33% of short run disequilibrium was corrected by Trade Openness in each period, 8% of short run disequilibrium was corrected by Exchange Rate (LEXR) in each period. Similarly, about 21% of short run disequilibrium was corrected by Corruption in terms Corruption perception index in each period. It also revealed t-statistics with their respective standard error values which implied that when the t-statistics in one variable was greater than the other variables numerically (the sign is not relevant), it means that causality move from that variable to the other variable and the direction of causality can be determined b y comparing the t-statistic of the two variables.

From the table, the study found that causality runs from LTO to LFDIOG which implied that Trade Openness caused increase in the inflow of FDI in Oil and Gas sector in Nigeria. This implied that Trade Openness attract more foreign direct investment (FDI) in Oil and Gas sector

in Nigeria. Other findings were that Trade Openness attract Exchange Rate, Trade Openness attracted or caused Corruption in Nigeria, Corruption caused an increase in Exchange Rate, Corruption attracted or caused an increase in inflow of Foreign Direct Investment in Oil and Gas sector in Nigeria while Exchange Rate attracted Foreign direct investment in oil and Gas sector in Nigeria.

4.2.2: Causal Relationship between Balance of Payment and Foreign Direct Investment in Oil and Gas in Nigeria

Table 4.11: Vector Error Correction Model

Error Correction:	D(LFDIOG)	D(LBOP)	D(LEXR)	D(LCPI)
CointEq1	-0.007771	-0.231580	-0.000760	-0.007699
Standard Error	(0.01969)	(0.85070)	(0.00371)	(0.00755)
t-statistics	[0.39473]	[-5.53076]	[-0.20477]	[-1.01910]
CAUSALITY				
Causality runs from LBOP to LFDIOG				
Causality runs from LBOP to LEXR				
Causality runs from LBOP to LCPI				
Causality runs from LCPI to LEXR				
Causality runs from LCPI to LFDIOG				
Causality runs from LFDIOG to LEXR				

Source: Researcher's computation using E-views 9.0, 2018.

Table 4:14 revealed the vector error correction results which showed about 7% of short run disequilibrium was corrected by Foreign Direct Investment in Oil and Gas Sector (LFDIOG) in each period. The table revealed that 23% of short run disequilibrium was corrected by Balance of Payment of the Federal Government of Nigeria in each period and 0.076% of short run disequilibrium was corrected by Exchange Rate (LEXR) in each period. Similarly, about 7% of short run disequilibrium was corrected by Corruption in terms Corruption Perception Index in each period.

From the table, causality runs from LBOP to LFDIOG which implied that Balance of Payment causes increase in Multinational Corporations (FDI) in Oil and Gas sector. This implies that Balance of Payment affect Foreign Direct Investment in Oil and Gas sector in Nigeria. Other findings were that Balance of Payment attracted Exchange Rate, Balance of Payment attracted or caused Corruption, Corruption caused Exchange Rate increase, Corruption attracted or influence Foreign Direct Investment inflow in Oil and Gas sector while Foreign Direct Investment in Oil and Gas sector influence Exchange Rate in Nigeria.

4.2.3: Causal Relationship between Tax Policy and Foreign Direct Investment in Oil and Gas in Nigeria

Table 4.15: Vector Error Correction Model

Error Correction:	D(LFDIOG)	D(LTR)	D(LEXR)	D(LCPI)
CointEq1	-0.005120	-0.000490	-0.001037	-0.006538
Standard Error	(0.00623)	(0.00012)	(0.00119)	(0.00228)
t-statistics	[-0.95015]	[-4.03907]	[-0.86819]	[2.87232]
CAUSALITY				
Causality runs from LTR to LFDIOG				
Causality runs from LTR to LEXR				
Causality runs from LTR to LCPI				
Causality runs from LCPI to LEXR				
Causality runs from LCPI to LFDIOG				
Causality runs from LEXR to LFDIOG				

Source: Researcher's computation using E-views 9.0, 2018.

Table 4:14 revealed the vector error correction results which showed about 5% of short run disequilibrium was corrected by Foreign Direct Investment in Oil and Gas sector (LFDIOG) in each period. The table revealed that 4% of short run disequilibrium was corrected by Tax Policy of the government in terms of Tax Rates (TR) in each period and 1% of short run disequilibrium was corrected by exchange rate (LEXR) in each period. Similarly, about 6% of short run disequilibrium was corrected by Corruption in terms Corruption Perception Index in each period.

From the table, causality ran from LTR to LFDIOG which implied that Tax Policy (Tax Rates) caused increased in foreign direct investment (FDI) in Oil and Gas sector. This implied that Tax Policy attracted Foreign Direct Investment in Oil and Gas sector in Nigeria. Other findings were that Tax Policy attracted Exchange Rate, Tax Policy attracted or caused Corruption, corruption cause exchange rate, corruption attract or cause influence of foreign direct investment in oil and Gas sector, Nigeria while exchange rate attracted foreign direct investment in oil and Gas sector in Nigeria.

Generally, the study found that balance of payment policy is the most significant policy that the federal government of Nigeria used in attracting foreign direct investment in Nigeria with a t-statistic value of 5.53. Trade openness is the second most significant policy that the federal government of Nigeria used in attracting foreign direct investment in Nigeria with a t-statistic value of 4.09 while tax rate is the last significant policy that the federal government of Nigeria used in attracting foreign direct investment in Nigeria with a t-statistic value of 4.03.

4.3 Discussion of Findings

The study found in correlation analysis that there was a strong positive association between government trade policies and foreign direct investment in oil and gas sector, Nigeria. The findings implied that the relationship that existed between government trade policies and foreign direct investment in Oil and Gas sector in Nigeria was positive. The reason was that government trade policies has good bearing to encourage foreign investors to invest their equity capital, re-investment earnings and intra company loans into Nigerian economy. Also, foreign direct investment in Nigeria increased the gross domestic product and brought transfer technologies, capital and the culture of entrepreneurship into Nigerian economy. They increased investment levels and income in the host countries; they promoted improvement in their immediate

environment; create access to high quality managerial skills; improve the balance of payment of host countries by increasing exports and decreasing imports; help to equalize the costs of factors of production. They stimulated domestic production and enhanced efficiency and effectiveness in the production process and they also stimulated positive responses from local operators.

The analysis of co-integration in chapter four found that there was a long run relationship between government trade policies and foreign direct investment in Nigeria. This implied that since 1956 foreign direct investment in Oil and Gas sector operated in Nigeria and they were still operating today because of a good relationship with government trade policies. The policy of Nigerian Government on trade such as trade openness of 1986, balance of payment and tax policy have been dually obeyed by the multinational corporations and Multinational corporations invested in Nigeria by bringing their equity capital, re-investment earnings and intra company loans to grow the economy of Nigeria. This was why Nigerian frequently enacted laws and policy to guide and protect multinational corporations because of the long relationship have with government trade policy in Nigeria.

The study also found that in analyzing with granger causality test and vector error correction model that government trade policies attracted foreign direct investment in Oil and Gas sector in Nigeria. This implied that government trade policies affect foreign direct investment in Oil and Gas sector in Nigeria. The reason for this was that government of Nigeria made trade policies that favoured the inflow of foreign direct investment in Oil and Gas sector in Nigeria. They reduced tax rate and implemented trade liberalization policy so that foreign investors in Oil and Gas can enter into the country and operate freely without much restriction.

The study is in line with the finding of Jayachandran and Seilan (2010); Baghebo and Koginam (2015); Cizem, Ozgur, Merve & Burc (2017) who found that causality runs unidirectional from trade policy to private investment or foreign direct investment. The study is also not in tandem with the findings of Kiran (2011) and Wadad (2013) who found opposite findings from the results of this thesis. The study is also in tandem with the ownership, location internalization paradigm theory which states that MNEs possess a set of O-specific advantages and constraints and, according to their goals, and their opportunity sets and organisational structures, will pursue certain strategies to advance those goals. Similarly, nation states possess a set of L-specific advantages and constraints which, according to their goals and opportunity sets, will lead them to take certain actions. The theory further state that juxtaposition between the O advantages and strategies of MNEs and the L advantages and strategies of nation states is potentially of economic value to both parties (Dunning & Sarianna, 2008).

The study was in disagreement with dependency theory which states that poor countries exported primary commodities to the rich countries who then manufactured products out of those commodities and sold them back to the poorer countries which the case in Nigeria when government of Nigeria made trade policy to allow multinational corporations trade in Oil and Gas business by exporting the oil and return importing the oil and Gas back to Nigeria at very higher prices. Therefore, poorer countries like Nigeria would never be earning enough from their export earnings (Oil and Gas) to pay for their imports (Oil and Gas). Furthermore, the study is also in disagreement with Bargaining Theory of Trade Policy which states that bargaining options only arise where, as a result (or an expected result) of MNE activity, an economic rent over and above the anticipated opportunity cost of the O- (ownership) specific advantages of MNE activity, and the anticipated opportunity cost of the L(location) advantages of the host

countries is earned, or thought likely to be earned (Dunning & Sarianna, 2008). The theory also believes that it is important to realise that unless both sets of opportunity costs are covered, no MNE activity will take place.

The operations of foreign direct investment in more than one country require constant exchange rate from one currency to another for MNCs to manage all the risks associated with currency conversion adequately. Also, the activities of multinational corporations require free corrupt countries in order to transact business. Nigeria being a country that makes trade policy such as trade openness, tax and balance of payment policy tried to avoid corruption by monitoring and checkmating the citizens in order to trade in the international market and also requires a desirable foreign exchange rate by enabling multinational Corporations inflow. The government emphasized more on corruption in order to control or minimize its effect by ensuring that multinational corporations are attracted to Nigeria. Exchange rates and corruption may attract or influence both the total amount of multinational corporations in the form of foreign direct investment that takes place in any country as well as the allocation of multinational investment across a range of countries.

In hypothesis one, table 4.13, the study found that causality ran from trade openness to multinational corporations in Oil and Gas sector in Nigeria in terms of foreign direct investment which implied that trade openness causes increase in the inflow of multinational corporations (FDI) in Oil and Gas sector of Nigeria. This implied that trade openness attracted more inflow of FDI in Oil and Gas sector in Nigeria. The reason was that Trade openness was the mechanism where countries permit or have trade with other countries and trade openness has attracted foreign direct investment in Oil and Gas sector in Nigeria since it raised the amount of available

capital stock, encourage technological transfer, and enhanced the process of competition. The finding was in consonance with the findings of Bhatt (2013); Zafar (2013); Sazali, Bakar, Huey and Ghazali (2018) who found that causality ran from trade openness to FDI. However, the study disagreed with the findings of N'guesan and Yue (2010) who found that FDI influenced trade openness and there was unidirectional relationship. The study is also in tandem with OLI Paradigm theory.

The study also found that trade openness attracted exchange rate which implied that high exchange rate in Nigeria may be caused by trade liberalization as it was introduced and adopted in Nigeria since 1986. The exchange in Nigeria was favourable in 1970s before the adoption of trade openness which brought high exchange since import and export were freely traded in Nigeria and borders were widely open to allow foreigners and foreign companies to trade in oil and gas. The Oil and Gas were exported to other counties of the world, refined and import back to Nigeria and this process cause the country to experience exchange rate problem. The barrels of Oil exported to other counties may be affected with exchange problem which causes an increase in exchange rate in Nigeria continually.

The study also found that trade openness attracted or caused corruption in Nigeria. The reason may be that when borders were open to accommodate all businesses, there will be increase in corruption. Corruption in Nigeria is very high and the rate at which the country is going, companies are granted contracts on the basis of corruption since they have to pay extra money or bribe to be awarded the contract. Some companies used corruption means to established their business in Nigeria by refusing to register properly performing within the mandate of the law of the land.

The study also found that corruption caused an increase in exchange rate which implies that corruption may increase exchange rate in Nigeria. The exchange in Nigeria was stabilised in 1970s but corrupt practices in Nigeria, the exchange continually increase. Those who formulated economy policies, formulated these policies in favour of their families and themselves and this cause an increase in the exchange rate due to the fact that they do not provide adequate solution to certain problems due to self-interest and self-richness.

The study found that corruption influence foreign direct investment in oil and Gas sector in Nigeria. The reason may be that corruption is perceived as detrimental to investment as it acts like a tax on investment by increasing the cost of doing business and corruption is that makes it more difficult and costly to conduct foreign business operations in such aspects of obtaining licenses and permits.

The study found that exchange rate influenced foreign direct investment in oil and Gas sector in Nigeria. FDI that sought to invest in another country will always seek out a host country that has a local currency that will be expected to strengthen against their own. Madura and Fox (2011) argued that Multinational corporations will invest funds in a country whose local currency is currently weak in order to earn from new operations that will be periodically converted back to the firm's currency at a more favorable exchange rate. Exchange rate movements influenced FDI values because they affect the amount of cash inflows received from their investments and the amount of cash outflows needed to pay to continue operating these investments. Currencies appreciate and depreciate according to prevailing market conditions. Firms that have operations in other countries other than their mother countries must understand the forces that cause

exchange rates to change over time in order to gauge how currencies may be affected by these forces and in so doing be in a position to mitigate these losses.

The study also found that in table 4.3 that there was positive association between foreign direct investment and trade openness in Oil and Gas sector in Nigeria. There was strong positive association between exchange rate and foreign direct investment in Oil and Gas sector in Nigeria. There was weak positive association between corruption and foreign direct investment in Oil and Gas sector in Nigeria. There was strong positive association with trade openness and exchange rate in Nigeria. The study found that exchange has a strong positive relationship with corruption in Nigeria.

From the analysis in table 4.10, the study found out that there was a long run relationship between multinational corporations in Oil and Gas (FDI) and trade openness in Nigeria. The reason was that they may help boost development and reduce poverty by generating growth through increased in commercial opportunities and investment, as well as broadening the productive base through private sector development. Trade openness may expanded business opportunities for local companies by opening up new markets, removing unnecessary barriers and making it easier for them to export. It may also facilitates export diversification by allowing developing countries to access new markets and new materials which open up new production possibilities.

Also, there was a long run relationship between FDI in Oil and Gas and exchange rate in Nigeria. The reason was that exchange rate has been the major problem of Nigeria since 1960s and 1970s. The exchange rates for these periods were established and very small even more Naira was exchange higher than Dollar for these periods. Until 1980s, exchange rate started to increase

in Nigeria with an increasing rate, this increase in exchange rate may encourage or discourage investors such as multinational corporations in terms of foreign direct investment to invest their equity capital, re-investment earnings and intra company loans in the developing countries like Nigeria. However, higher exchange may motivate investors to invest their money in Nigeria in order to have higher return from the money invested but higher change rate in Nigeria such as today that the exchange rate is N362.73 to \$1 may negatively influence multinational corporations investment due to high exchange rate which influence the level of their investment in Nigeria and they may be discourage to invest in a country that the exchange rate is very low or may invest in a country that an exchange is very high due to the fact that their money has more value when investing in high exchange rate country like Nigeria.

The study also found that FDI in Oil and Gas and corruption have a long run relationship in Nigeria. The study revealed that there was a long run relationship between FDIOG and CPI, TO and EXR as well as TO and CPI. The finding was in consonance with the findings of Zafar (2013) who found that there was a long-run relationship between multinational corporation (FDI) and the study is also in line with the finding of N'guesan and Yue (2010) who found that there was a long-run relationship between multinational corporation (FDI) and trade openness.

Trade openness may permits an economy to make better use of its resources by allowing import of goods and services at a lower cost than they could be produced at home country (following the theory of comparative cost advantage). It may also enables developing countries to import capital equipment and intermediate inputs that are critical to long -run growth which will be expensive or impossible to produce domestically. Other possible benefits of trade openness may include more intense competition, which obliges local firms to operate more efficiently than under protection, and greater awareness of new foreign ideas and technologies (knowledge spillover).

The balance of payments may obviously be affected by FDI in a variety of ways. Letto-Gi lli (1992) asserts that there are the direct effects of capital outflows and inflows destined to finance the outward and inward FDI. However, outward FDI does not necessarily involve outflow of funds from the home country, since there are other ways of funding direct investment, such as borrowing on international markets and using profits from such subsidiaries. Other direct effects are connected with the outflow and inflow of profits and dividend related respectively to past inward and outward FDI. For countries with long traditions of FDI these income are extreme of the spectrum. The net inflows of income from capital invested abroad have in many years outstripped the inflows of new inward FDI.

In hypothesis two, table 4.14, the study found that causality ran from balance of payment to multinational corporations in Oil and Gas sector in Nigeria in terms of foreign direct investment which implied that balance trade openness caused increase in the inflow of FDI in Oil and Gas sector of Nigeria. This implied that balance of payment attracted more inflow of FDI in Oil and Gas sector in Nigeria. The study was in tandem with the findings of Ahmed (2011) who found that causality runs from balance of payment (current account) to foreign direct investment. The finding was in disagreement with the findings of Danish, Mohsin and Muhammad (2013); Manpreet, Surendra and Vinayshil (2012) and Muhammad, Khadim, Muhammad and Sabahat (2016) who found that causality runs from foreign direct investment to balance of payment.

The finding in hypothesis two, table 4.14 was that stability of the balance of payments depends on the value of imports and exports, on the degree of efficiency and product competitiveness, on the price level, international services and the international markets position. Deficit and surplus of the balance of payment influenced or attracted inflow of foreign direct investment. In the case

of oil and gas sector was recorded with a deficit in the balance of payments, the national economy was incapable of providing exports corresponding to the amount of national currency existing abroad. Currency holders abroad would sell the amounts in the currency market, and where the currency supply exceed the demand then the currency depreciates. Alternatively, when the state achieves a surplus of the balance of payments, the foreign currencies can be used to buy oil and gas from abroad. Therefore, the currency demand is higher than the supply and thus appreciates (Iavorschi, 2014).

The study also found that balance of payment influence exchange rate which implies that balance of payment (current account and capital account) attract or influence the exchange rate and returned ensure inflow of multinational corporations in Oil and Gas sector (FDI) in Nigeria. An increase (depreciation) in the exchange rate stimulates an increase of exports, diminishes the imports and determines a tendency to stabilize the balance of payments. However, decrease (appreciation) in the exchange rate discourages exports, stimulates an increase in imports and generates instability in the balance of payments. Foreign direct investments have an influence over the evolution of the exchange rate: the more the currency of a state is stable, the higher the foreign investments flow is (Iavorschi, 2014).

The study realized in table 4.14 that balance of payment attracted corruption in oil and gas sector in Nigeria. Balance of payment in terms of current account and capital account which after analyzing may result to either surplus or deficit. If it is deficit it means that oil and gas product may be imported into Nigeria and if it is surplus, the reverse is the case to other countries of the world. The process of exporting and importing oil and gas even when there are refineries in Nigeria attracts corruption since the multinational corporations used this process to export the

product to their own country and refine the product as well as importing the product to Nigeria at very higher prices.

The study found that in table 4.14 that corruption attracted exchange rate in Nigeria. The more society is corrupt and is rated by the corruption perception index as high, the exchange rate tend to increase drastically. The exchange rate in Nigeria was stabilised in 1970s and was more than dollars but when corruption was pronounced in Nigeria, the exchange rate from Naira to Dollar is very high in Nigeria.

The study found that foreign direct investment in oil and gas sector in Nigeria influenced exchange rate. Foreign investors do not invest more in a country where the exchange rate is low but invest in a country where exchange rate is high. However, the reason why foreign direct investment attracted exchange was that they were investing more in Nigeria and this cause continuous increase in exchange rate each year and month.

The study found out that there was a long run relationship between FDI in Oil and Gas and balance of payment in Nigeria. Also, there was a long run relationship between balance of payment (BOP) and exchange rate in Nigeria on one hand, and between balance of payment (BOP) and corruption on the other hand. The study is in line with the findings of Atif, Nabila, Mahnuz and Rooma (2012) and Mihaela (2014) who found that there is a long run relationship between multinational corporations (FDI) and Balance of payment. The reason for each finding was that Nigerian Government has a long terms contract with multinational corporations and even when into partnership with multinational corporations in Oil and Gas to extract the oil and

export it to home country of the multinational corporations and import back to sell to the host country – Nigeria at very higher price.

The study also found that there was a negative association between multinational corporations in terms of foreign direct investment in Oil and Gas sector in Nigeria and balance of payment. The study is in disagreement with the findings of Eirc (2013) and Mohd (2016) who found a positive association between multinational corporations in terms of foreign direct investment and balance of payment. The findings from the reviewed of extant literature was not in line with the findings of this analysis. The reason for this finding is that multinational corporations in terms of foreign direct investment have negative association with balance of payment as Ozoigbo and Chukuezi (2011) noted that there are four main reasons for this assertion. Most of the imported technologies came under the industrial property system of restrictive patterns and license. This is a very sensitive barrier for Nigeria. The implication of this is that Nigerians cannot copy and internalize these technologies even if they have the capacity. Because of this, Nigeria has to make do with dependent development, which has several deleterious economic consequences. The MNCs jealously guard the technological know-how of their technologies by way of refusing to use of competent staff. The MNCs instead use mere technicians who are at the last rung of productive process and simply assemble together what they knew not how it was produced. By implication Nigerians cannot learn from the technicians the intricacies involved in the production of the material or product. Another point of skillful deceit by the MNCs is the fact that where qualified and competent indigenous staff are to be exposed to the technological know-how of a type of production. Sometimes the type of technology they are exposed to is so sophisticated that they are mesmerized by it. In some cases, the high capital that may be needed simply

embarrasses the nation in that they cannot afford it instead they prefer to forget about it. The MNCs increase the mal-distribution of income in Nigeria and other less developed countries. The case of oil workers earning in a month what some federal civil servants earn in a year does not augur well with the development of the nation. This step creates a class-conscious society, which does not help development as such. Therefore, the type of technology that the MNCs imported into the country is the one that serves the few urban elite because only they have the resources to get at it while the generality of the populace continue to face stark underdevelopment.

The study also found a strong positive association between multinational corporations in terms of foreign direct investment in Oil and Gas sector in Nigeria and exchange rate. The reason is that more multinational corporations investment in Nigeria may increase foreign exchange rate. Multinational corporations do not invest more in a country that has less exchange rate but investment more in a country that has high exchange rate.

The study found that there was weak positive relationship between foreign direct investment in Oil and Gas and corruption in Nigeria. Also, there was a weak negative relationship between balance of payment and exchange rate in Nigeria. It found that there was a weak negative relationship between balance of payment and corruption in Nigeria. It found that there was a strong positive relationship between exchange rate and corruption in Nigeria.

In hypothesis two, table 4.15, it found that causality ran from LTR to LFDIOG which implied that tax policy (tax rates) causes increase in foreign direct investment in Oil and Gas sector. This implied that tax policy attracted foreign direct investment in Oil and Gas sector in Nigeria. The findings were in consonance with the findings of Nida, Mine and Mehmet (2016) who found that Tax policy attracted FDI. However, the study disagreed with the findings of Yain (2012) who

found out that FDI attract tax policy (tax rates). The study is also in tandem with bargaining theory of trade policy which states that bargaining options only arise as a result (or an expected result) of MNE activity, an economic rent over and above the anticipated opportunity cost of the O- (ownership) specific advantages of MNE activity, and the anticipated opportunity cost of the L(location) advantages of the host countries, is earned, or thought likely to be earned (Dunning & Sarianna, 2008).

The reason for the above findings is that tax policies are obviously capable of affecting the volume and location of FDI, since all other considerations equal, higher tax rates reduce after-tax returns. Of course, all other considerations are seldom equal. Countries do not only differ in their tax policies, but also in their commercial and regulatory policies, market size, natural endowments, and human capital. All these factors influence the desirability of an investment location. Many governments rely on tax incentive schemes in their effort to lure foreign investors. This selective approach, in contrast to a generalized tax reduction, is attractive to many countries because it may minimize the initial effect on fiscal revenues and, in principle, should help to target specific industries or activities that would bring the greater benefits to the country. It can also be argued that incentives may have a signaling influence on the government's commitments to stimulate FDI, as they are generally easier to implement than a general reform of the tax system (Bond & Samuelson, 1986).

The influence of tax policy may significantly depend on the tax instruments used by the authorities. For example, tax holidays and a general reduction in the statutory tax rate may have an equivalent influence on FDI flows. The effectiveness of tax policy and incentives is also likely to vary depending on the multinational firm's activity and on its motivations for investing

abroad. For example, tax incentives seem to be a crucial factor for Oil and Gas multinational corporations that operate in multiple markets because they can exploit better the different tax regimes in Nigeria.

Other findings were that tax policy attract exchange rate, tax policy attract or cause corruption, corruption cause exchange rate, corruption attract or cause influence of foreign direct investment in oil and Gas sector in Nigeria while exchange rate attract foreign direct investment in oil and Gas sector.

The burden of taxation obviously influences the volume and location of foreign direct investment (FDI) for the simple reason that it determines after tax returns from investment (Okoi & Edame, 2013). Also, Governments have the ability to impose an array of taxes on foreign entities, including personal and corporate income taxes, sales taxes, value-added taxes, property taxes, excise taxes, and numerous others. In choosing what tax instruments to use and what rates to impose, governments are typically influenced by their expectations of the effects of taxation on investment and economic activity, including foreign direct investment (FDI). Corporate tax incentive is one of the most important instruments used by governments to attract FDI flows. By lowering corporate tax rates, countries can raise the profitability of FDI and thus increase their attractiveness as a location. However, multinationals can also lower their tax burden by lending to the foreign subsidiary to finance the investment since interest payments made by the subsidiary are not subject to taxation.

The study found out that there was a long run relationship between FDI in Oil and Gas and tax policy in Nigeria. Also, there is a long run relationship between multinational corporations in Oil and Gas (FDI) and exchange rate in Nigeria on one hand, and between FDI in Oil and Gas and

corruption on the other hand. The finding is in consonance with the findings of Yain (2012) who found out that there was a long-run relationship between multinational corporation (FDI) and tax rate.

The study also found that foreign direct investment in oil and gas (FDIOG), has a negative correlation with tax policy (TR). Foreign direct investment in oil and gas has a positive correlation with exchange rate. However, foreign direct investment in oil and gas (FDIOG) has a positive correlation with corruption perception index in Nigeria. Tax policy which is tax rate (TR) has a strong negative correlation with exchange rate (EXR). Tax policy (tax rate) has a very strong negative correlation with corruption perception index. Exchange rate (EXR) has a strong positive correlation with corruption perception index in Nigeria

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study examined the effect of government trade policies on foreign direct investment with particular reference to Oil and Gas sector in Nigeria. The specific objectives of this were to: determine the causal effect relationship between trade openness and foreign direct investment in Oil and Gas sector in Nigeria, examine the causal effect relationship between balance of payment and foreign direct investment in Oil and Gas sector in Nigeria and evaluate the causal effect relationship between tax policy and foreign direct investment in Oil and Gas sector in Nigeria. A research questions and several hypotheses were in line with the specific objectives of the study.

Extant literature in chapter 2 was reviewed on the concept of government trade policies, trends on government trade policy in Nigeria, balance of payment, current account, capital account, trade openness, export promotion, import substitution, gross domestic product, tax policy, tax rate, concept of foreign direct investment, equity capital, re-investment earnings, intra company loans exchange rate and corruption as well as corruption perception index. Empirical studies of government trade policies and FDI, trade openness and foreign direct investment, balance of payment and foreign direct investment, tax policy and foreign direct investment. Also, the theoretical framework that supported this study was reviewed.

Methodology adopted was the ex-post facto research design and used to test the hypotheses, descriptive statistics, unit root test, correlation analysis, co-integration, and Vector Error Correction model estimates were used to estimate and to test the direction of causality between government trade policies and FDI in Oil and Gas in Nigeria.

The data were secondary obtained from the Central bank of Nigeria statistical bulletin, using e-view software package of 9.00 to compute the data, the findings indicated that government trade policies attracted foreign direct investment in Oil and Gas sector in Nigeria. This implied that government trade policies influenced foreign direct investment in Oil and Gas sector in Nigeria. Other findings were that causality ran from trade openness to FDI in Oil and Gas sector in Nigeria which implied that trade openness caused increase in the inflow of FDI in Oil and Gas sector in Nigeria. It found that causality ran from balance of payment to foreign direct investment which implied that balance trade openness caused increase in the inflow of FDI in Oil and Gas sector in Nigeria. It found also that causality ran from tax rate to foreign direct investment which implied that tax policy (tax rates) caused increase in foreign direct investment in Oil and Gas sector in Nigeria. This implied that tax policy attracted foreign direct investment in Oil and Gas sector in Nigeria.

5.2 Conclusions

The following conclusions were drawn from the results of the findings:

Government trade policy of trade openness, tax policy and balance of payment were used to control the activities of multinational corporations, attract foreign investors and encourage industrialisation in Nigeria. Trade policy in Nigeria was geared towards attracting FDI in Oil and Gas exports and the aim is not only to increase export revenue and reduce the country's reliance on the oil sector but also to discourage dumping, support import substitution, stem adverse movements in the balance of payment, conserve foreign exchange and generate government revenue. During the first decade after independence, quantitative restriction and high import duties were used to encourage investors in Oil and Gas sector in Nigeria. Trade policy between 1970 and 1976 became less restrictive and tax rates were reduced. Government of Nigeria made

regulations and agreements that control imports and exports to attract FDI in Oil and Gas sector in Nigeria. However, Government of Nigeria defines standards, goals, rules and regulations that pertain to trade relations between countries to attract FDI in Oil and Gas sector in Nigeria. These policies are unique specific to Nigeria and are formulated by its public officials. The aim is to attract FDI in Nigeria.

1. Trade openness has acted as an important engine of growth for Nigeria at different stages of development, not only by contributing to a more efficient allocation of resources within Nigeria, but also by transmitting growth from one part of the world to Nigeria. Over the past decades, the economies of Nigeria have become increasingly linked to the rest of the world through an inflow of FDI. Trade openness has often played a central role in the historical experience of Nigeria due to the economic impact by attracting FDI and Governments often become involved in trade with the goal of producing a particular economic outcome for the country such as allowing Foreign investors to invest in Oil and Gas Sector in Nigeria.
2. The balance of payments has been influencing or attracting (foreign direct investment in Oil and Gas sector in Nigeria since 1964, fifty years after Amalgamation of Nigeria in 1914 Nigeria was at the height of BOP surplus among other proving trends and this attracted foreign direct investment in Nigeria. It was the world's largest producer of groundnuts, palm oil, and petroleum was making its way into the national account. For a long period now, Nigeria has suffered from an undiversified export basket and a somewhat inflexible import basket, as 95% of all exports are made up of oil and gas which attract FDI in it in Nigeria. As a result, the inflow of export receipts is highly

dependent on energy prices and the performance of one main sector and the foreigners are attracted to invest in Oil and Gas sector in Nigeria. In spite of the strong domestic demand for foreign goods and despite high oil prices in 2015 till date, as well as low production due to bombing in the Niger Delta region, Nigeria's trade balance still attracted FDI to invest more in the oil and gas sector in the country.

3. Tax policy has been one of the major focuses of Government since 1970 with varying reduction of tax rates in order to enable foreign investors to invest in the economy. The Government entered into partnership with foreign corporations thereby regulating and reducing tax as well as entering into bilateral double taxation agreements (henceforth referred to as Double Taxation Treaties (DTTs) with several countries under the Organization for Economic Co-operation and Development (OECD) thereby reducing restrictions on their ability to tax corporate income from foreign investors which prompted the inflow of multinational corporations in Oil and Gas sector in Nigeria.

5.3 Recommendations

The study recommends as follows:

Import substitution strategy, export promotion, NEED Era and structural adjustment programme (SAP), expenditure reducing policy and expenditure switching policy should be continually and appropriately applied with correspondingly policies such as trade openness, tax rate and balance of payment to attract inflow of FDI in Oil and Gas Sector in Nigeria. Federal Government of Nigeria should consider the establishments of a council on trade consistency of agreements to monitor the activities of multinational corporations in Oil and Gas sector in Nigeria.

1. Government should continue to adopt trade openness policy because it ensures greater opportunity to earn foreign exchange through inflow of multinational corporations (FDI). Also, government should embark on comprehensive trade openness policies formulation in order to accelerate and sustain the inflow of multinational corporations (FDI) in Nigeria. Government should through their policy formulation on trade openness empower economic and financial crime commission to control and minimize corruption and stabilize exchange rate with the same rate as at 1970 to 1980 to allow inflow of multinational corporations (FDI) in Oil and Gas sector (Reinvestment earnings, Equity capital and intra company loan).

2. Balance of payment policy in Oil and Gas should be formulated to encourage inflow of foreign direct investment in the sector in Nigeria. Government of Nigeria should seek for the assistant of Organization of the Petroleum Exporting Countries (OPEC) to direct investors in Oil and Gas to refine the oil and gas in Nigeria without exporting the raw material to their home country. This is expected to result in Nigeria's exports competitiveness in the sector, that will lead to increase in exports and investment, which will further increase the foreign exchange earnings, and improve the Gross Domestic Product (GDP) of the nation as well as reducing import of oil and gas in Nigeria. Organization of the Petroleum Exporting Countries (OPEC) should intensify the process of regular monitoring of the operation of FDI to ensure compliance with prudent guidelines and promote transparency in conducting their activities in Nigeria. The government should also move with Organization of the Petroleum Exporting Countries (OPEC) to embark on efficient and effective policy by making exports costly and imports

cheaper, thus, leading to a favourable balance of payments position in oil and Gas sector in the country.

3. Government should continue on the review on tax policy by the Federal Executive Council and National Tax Policy (NTP) to establish fundamental principles to guide an orderly development of the Nigeria tax system and reinforces the need for tax laws and administrative practices to promote economic development by empowering Economic and Financial Crime Commission (EFCC) to control and minimize corruption as well as developing economic policies in order to control exchange rate or stabilize exchange rate with the same rate as at 1970 to 1980 to allow inflow of multinational corporations (FDI) in Oil and Gas sector (Reinvestment earnings, Equity capital and intra company loan). .

5.4 Limitations of the Study

Although there are many Oil and Gas companies in Nigeria, but this study is limited to only FDI in Oil and Gas sector of Nigeria. The study is limited to government trade policies such as trade openness, balance of payment, tax policy, exchange rate and corruptions. The study is limited to Nigeria only for a period of 48 years from 1970 to 2017. Similarly, the study is also limited to Trade Policy Trend between 1960–1970s, Indigenization Policy Period (1972-1977), Trade Policy Trends between 1980-90s, The Structural Adjustment Period (1986- date) and Trade Policy under the Needs Era (1999-2006), expenditure reducing policy and expenditure switching policy. The study is also limited to descriptive statistics, correlation analysis, unit root test, co-integration, granger causality and vector error correction model. The study is limited to Royal Dutch Shell(Shell Petroleum Development Company of Nigeria Limited (SPDC), usually known simply as Shell Nigeria), Chevron(Chevron Nigeria Limited (CNL)), Exxon-Mobil (Mobil

Producing Nigeria Unlimited (MPNU)), Agip (Nigerian Agip Oil Company Limited (NAOC)) and Total(Total Petroleum Nigeria Limited (TPNL)).

5.5 Suggestions for further Studies

The study examined the effect of government trade policies on foreign direct investment in Nigeria. Further studies can be carried out by examining the casual effect of tax policy on multinational corporations in West Africa. Study can also be carried out by examining the trade openness and multinational corporations investment in West Africa from 1960 to 2018. The further study can also be conducted by evaluating more on the determinants of trade policies in Oil and Gas sector in Nigeria.

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Appendix A

Major Nigerian Oil Production Joint-Ventures				
Operator (% interest)	Other Partners (% interest)	NNPC (% interest)	Major Producing Fields	Production Barrels per Day
Shell (30%)	TotalFinaElf (10%) Agip (5%)	55%	Bonny or Eastern Division - Nembe, Cawthorn Channel, Ekulama, Imo River, Kolo Creek, Adibawa and Etelebou Forcados or Western Division - Forcados Yorke, Jones Creek, Olomoro, Otumara, Sapele, Egwa and Odidi	950,000 (2003 Est.)
ExxonMobil (40%)	None	60%	Edop, Ubit, Oso, Unam and Asasa	500,000 (2003 Est.)
ChevronTexaco (40%)	None	60%	Meren, Okan, Benin River, Delta/Delta South, Inda, Meji and Robertkiri Funiwa, Middleton, North Apoi, Pennington and Sengana	485,000 (2003 Est.)
Agip (20%)	Phillips (20%)	60%	Obama, Obiafu, M'Bede, Abgara and Oshi	150,000 (2003 Est.)
TotalFinaElf (40%)	None	60%	Obagi, Aghigo, Okpoko, Upomami, Afia and Obodo- Jatumi	150,000 (2003 Est.)

Oil Fields in the Niger Delta (from the US Energy Information Administration, 2017)

Appendix B

Years	CPI(%)	EXR(%)	TR(%)	FDI in O&G (\$US million)	FDIOG US to N (million)	TO(%)	BOP (N million)
1970	1.2	0.564	0.45	1105.7	623.61	0.4787	46.6
1971	1.7	0.564	0.45	1322.5	745.89	0.5512	117.4
1972	1.0	0.551	0.45	2118.1	1167.07	0.5368	57.2
1973	1.1	0.505	0.45	2103.3	1062.17	0.6699	1197.5
1974	1.2	0.6	0.45	1271.1	762.66	0.708	3102.2
1975	1.8	0.632	0.45	1810.2	1144.05	0.632	157.5
1976	1.4	0.641	0.45	4122.3	2642.34	0.6997	339.0
1977	1.1	0.6466	0.45	2637	1705.08	0.7092	527.2
1978	1.8	0.606	0.45	1406.4	852.28	0.5889	1293.6
1979	1.0	0.5957	0.45	1339	797.64	0.6945	1868.9
1980	1.7	0.5464	0.45	2692.4	1471.13	0.755	2402.2
1981	1.3	0.61	0.45	1746.3	1065.3	0.7328	-3020.8
1982	1.5	0.6729	0.45	12185.1	8199.35	0.554	-1398.3
1983	1.2	0.7649	0.45	11059.9	8459.72	0.4502	-301.3
1984	1.1	0.7649	0.45	22668.8	17339.39	0.4252	354.9
1985	1.3	0.8938	0.45	22814.3	20391.42	0.4492	349.1
1986	1.4	2.0206	0.45	31297.2	63239.12	0.3446	-784.3
1987	1.5	4.0176	0.40	34503.9	138622.87	0.7468	159.2
1988	1.4	4.5367	0.40	36282.1	164601.00	0.6027	-2294.1
1989	1.8	7.3916	0.40	37333.6	275955.04	0.6771	8727.8
1990	2.0	8.0378	0.40	37779.6	303664.87	0.9923	18498.2
1991	0.9	9.9095	0.40	39953.6	395920.20	1.0654	5959.6
1992	0.78	17.2984	0.35	45719.4	790872.47	1.0409	-65271.8
1993	0.77	22.0511	0.35	102995.8	2271170.69	0.882	13615.9
1994	0.89	21.8861	0.35	133894.5	2930428.42	0.6389	-42623.3
1995	0.96	21.8861	0.35	212729.4	4655816.92	1.3741	-195216.3
1996	17.60	21.8861	0.30	219512.5	4804272.53	1.1772	-53152.0
1997	19.00	21.8861	0.30	155938.3	3412662.37	1.1881	1076.20
1998	16.00	21.8861	0.30	174302.1	3814793.19	0.8643	-220671.3
1999	12.00	92.6934	0.30	1657642.5	153652519.31	1.0145	-326634.3
2000	1.00	102.1852	0.30	178699.89	18260483.99	1.0642	314139.2
2001	16.00	111.9433	0.30	47070.5	5269227.10	1.0781	24729.90
2002	14.00	120.9702	0.30	57638.8	6972577.16	0.2235	-563483.9
2003	16.00	129.3565	0.30	4526.2	585493.39	0.9728	-162298.4
2004	19.00	133.5004	0.30	47831.4	6358810.95	0.9809	1124157.2
2005	22.00	132.147	0.30	38274.8	5057899.99	1.1868	74450.11
2006	22.00	128.6516	0.30	73874.5	9504072.62	0.9565	68348.84
2007	27.00	125.8331	0.30	8374.35	1053770.42	0.9936	62187.02
2008	25.00	118.5669	0.30	83764.3	9931673.38	1.0501	63648.72
2009	24.00	148.9017	0.30	15510235	2309500388.89	0.8799	80826.64
2010	24.00	150.298	0.30	67410916	10131725852.97	1.0298	68887.46
2011	27.00	154.18	0.30	37781381	5825133322.58	0.6541	1641.4
2012	25.00	155.75	0.30	156472092	2437052832.90	0.5947	2736.4
2013	27.00	160.65	0.30	1006391110	161676731821.5	0.6244	2996.60
2014	26.00	162.75	0.30	208172143	33880016273.23	1990.0	142.5
2015	28.00	172.75	0.30	29764926.4	5141891035.6	2140.0	-3033.4
2016	27.00	180.3	0.30	710151794	128040368458.2	2300.0	687.9

2017	28.00	305.3	0.30	894139345	272980742028.5	2117.5	3174.4
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Source: CBN Statistical Bulletin, Nigerian Transparency Agencies and National Bureau of Statistics

Appendix C

	LBOP	LCPI	LEXR	LFDI0G	LTO	LTR
1970	3.841601	0.182322	-0.572701	6.435525	-0.736681	-0.798508
1971	4.765587	0.530628	-0.572701	6.614578	-0.595658	-0.798508
1972	4.046554	0.000000	-0.596020	7.062252	-0.622130	-0.798508
1973	7.087991	0.095310	-0.683197	6.968069	-0.400627	-0.798508
1974	8.039867	0.182322	-0.510826	6.636812	-0.345311	-0.798508
1975	5.059425	0.587787	-0.458866	7.042330	-0.458866	-0.798508
1976	5.826000	0.336472	-0.444726	7.879420	-0.357104	-0.798508
1977	6.267580	0.095310	-0.436027	7.441367	-0.343618	-0.798508
1978	7.165184	0.587787	-0.500875	6.747915	-0.529499	-0.798508
1979	7.533105	0.000000	-0.518018	6.681657	-0.364563	-0.798508
1980	7.784140	0.530628	-0.604404	7.293786	-0.281038	-0.798508
1981	NA	0.262364	-0.494296	6.971012	-0.310882	-0.798508
1982	NA	0.405465	-0.396159	9.011810	-0.590591	-0.798508
1983	NA	0.182322	-0.268010	9.043071	-0.798063	-0.798508
1984	5.871836	0.095310	-0.268010	9.760736	-0.855196	-0.798508
1985	5.855358	0.262364	-0.112273	9.922870	-0.800287	-0.798508
1986	NA	0.336472	0.703394	11.05468	-1.065371	-0.798508
1987	5.070161	0.405465	1.390685	11.83951	-0.291958	-0.916291
1988	NA	0.336472	1.512200	12.01128	-0.506336	-0.916291
1989	9.074269	0.587787	2.000344	12.52799	-0.389936	-0.916291
1990	9.825429	0.693147	2.084155	12.62368	-0.007730	-0.916291
1991	8.692759	-0.105361	2.293494	12.88897	0.063350	-0.916291
1992	NA	-0.248461	2.850614	13.58089	0.040086	-1.049822
1993	9.518994	-0.261365	3.093362	14.63581	-0.125563	-1.049822
1994	NA	-0.116534	3.085852	14.89066	-0.448007	-1.049822
1995	NA	-0.040822	3.085852	15.35363	0.317799	-1.049822
1996	NA	2.867899	3.085852	15.38502	0.163139	-1.203973
1997	6.981192	2.944439	3.085852	15.04300	0.172355	-1.203973
1998	NA	2.772589	3.085852	15.15440	-0.145835	-1.203973
1999	NA	2.484907	4.529297	18.85020	0.014396	-1.203973
2000	12.65759	0.000000	4.626787	16.72025	0.062223	-1.203973
2001	10.11577	2.772589	4.717992	15.47739	0.075200	-1.203973
2002	NA	2.639057	4.795544	15.75750	-1.498344	-1.203973
2003	NA	2.772589	4.862572	13.28021	-0.027577	-1.203973
2004	13.93254	2.944439	4.894104	15.66535	-0.019285	-1.203973
2005	11.21788	3.091042	4.883915	15.43646	0.171261	-1.203973
2006	11.13238	3.091042	4.857108	16.06723	-0.044474	-1.203973
2007	11.03790	3.295837	4.834956	13.86789	-0.006421	-1.203973
2008	11.06113	3.218876	4.775477	16.11124	0.048885	-1.203973
2009	11.30006	3.178054	5.003286	21.56030	-0.127947	-1.203973
2010	11.14023	3.178054	5.012620	23.03894	0.029365	-1.203973
2011	7.403305	3.295837	5.038121	22.48545	-0.424495	-1.203973
2012	7.914398	3.218876	5.048252	21.61406	-0.519698	-1.203973
2013	8.005234	3.295837	5.079228	25.80886	-0.470964	-1.203973
2014	4.959342	3.258097	5.092215	24.24609	7.595890	-1.203973
2015	NA	3.332205	5.151845	22.36069	7.668561	-1.203973
2016	6.533643	3.295837	5.194622	25.57561	7.740664	-1.203973
2017	8.062874	3.332205	5.721295	26.33267	7.657991	-1.203973

TREND ANALYSIS

Dependent Variable: TR
 Method: Least Squares
 Date: 10/08/18 Time: 07:31
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.372667	0.010015	37.21246	0.0000
FDIOG	-3.82E-13	2.02E-13	-1.895400	0.0643
R-squared	0.072441	Mean dependent var		0.367708
Adjusted R-squared	0.052277	S.D. dependent var		0.068796
S.E. of regression	0.066974	Akaike info criterion		-2.528252
Sum squared resid	0.206334	Schwarz criterion		-2.450285
Log likelihood	62.67805	Hannan-Quinn criter.		-2.498788
F-statistic	3.592540	Durbin-Watson stat		0.092091
Prob(F-statistic)	0.064333			

Dependent Variable: FDIOG
 Method: Least Squares
 Date: 10/08/18 Time: 07:35
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.27E+10	3.74E+10	2.210651	0.0321
TR	-1.90E+11	1.00E+11	-1.895400	0.0643
R-squared	0.072441	Mean dependent var		1.30E+10
Adjusted R-squared	0.052277	S.D. dependent var		4.84E+10
S.E. of regression	4.72E+10	Akaike info criterion		52.03227
Sum squared resid	1.02E+23	Schwarz criterion		52.11024
Log likelihood	-1246.775	Hannan-Quinn criter.		52.06174
F-statistic	3.592540	Durbin-Watson stat		0.772115
Prob(F-statistic)	0.064333			

Dependent Variable: FDIOG
 Method: Least Squares
 Date: 10/08/18 Time: 07:40
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.02E+09	5.81E+09	0.692716	0.4920
TO	50047029	9404856.	5.321403	0.0000
R-squared	0.381033	Mean dependent var		1.30E+10
Adjusted R-squared	0.367577	S.D. dependent var		4.84E+10
S.E. of regression	3.85E+10	Akaike info criterion		51.62777
Sum squared resid	6.83E+22	Schwarz criterion		51.70574
Log likelihood	-1237.067	Hannan-Quinn criter.		51.65723
F-statistic	28.31733	Durbin-Watson stat		1.690306
Prob(F-statistic)	0.000003			

Dependent Variable: FDIOG
 Method: Least Squares
 Date: 10/08/18 Time: 07:49
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.30E+10	7.07E+09	1.835287	0.0729
BOP	-911.1303	35179.79	-0.025899	0.9794
R-squared	0.000015	Mean dependent var		1.30E+10
Adjusted R-squared	-0.021724	S.D. dependent var		4.84E+10
S.E. of regression	4.90E+10	Akaike info criterion		52.10746
Sum squared resid	1.10E+23	Schwarz criterion		52.18543
Log likelihood	-1248.579	Hannan-Quinn criter.		52.13692
F-statistic	0.000671	Durbin-Watson stat		0.713804
Prob(F-statistic)	0.979450			

Dependent Variable: FDIOG
 Method: Least Squares
 Date: 10/08/18 Time: 07:52
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.14E+10	7.34E+09	-1.549974	0.1280
EXR	3.92E+08	75886499	5.164655	0.0000
R-squared	0.367033	Mean dependent var		1.30E+10
Adjusted R-squared	0.353273	S.D. dependent var		4.84E+10
S.E. of regression	3.90E+10	Akaike info criterion		51.65014
Sum squared resid	6.98E+22	Schwarz criterion		51.72810
Log likelihood	-1237.603	Hannan-Quinn criter.		51.67960
F-statistic	26.67366	Durbin-Watson stat		0.959531
Prob(F-statistic)	0.000005			

Dependent Variable: FDIOG
 Method: Least Squares
 Date: 10/08/18 Time: 07:56
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.61E+09	8.86E+09	-0.745611	0.4597
CPI	1.89E+09	5.93E+08	3.193108	0.0025
R-squared	0.181436	Mean dependent var		1.30E+10
Adjusted R-squared	0.163641	S.D. dependent var		4.84E+10
S.E. of regression	4.43E+10	Akaike info criterion		51.90727
Sum squared resid	9.03E+22	Schwarz criterion		51.98524
Log likelihood	-1243.774	Hannan-Quinn criter.		51.93673
F-statistic	10.19594	Durbin-Watson stat		0.884201
Prob(F-statistic)	0.002540			

Trade Openness and FDIOG

	TO	FDIOG	CPI	EXR
TO	1.000000	0.617278	0.472530	0.581842
FDIOG	0.617278	1.000000	0.425952	0.605833
CPI	0.472530	0.425952	1.000000	0.884182
EXR	0.581842	0.605833	0.884182	1.000000

Balance of payment and FDIOG

	FDIOG	BOP	EXR	CPI
FDIOG	1.000000	-0.003819	0.605833	0.425952
BOP	-0.003819	1.000000	0.129463	0.096233
EXR	0.605833	0.129463	1.000000	0.884182
CPI	0.425952	0.096233	0.884182	1.000000

Tax Rate and FDIOG

	FDIOG	TR	EXR	CPI
FDIOG	1.000000	-0.269149	0.605833	0.425952
TR	-0.269149	1.000000	-0.795060	-0.830214
EXR	0.605833	-0.795060	1.000000	0.884182
CPI	0.425952	-0.830214	0.884182	1.000000

Nonsense Regression

Dependent Variable: LTO
 Method: Least Squares
 Date: 10/10/18 Time: 05:41
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.183539	0.940169	-4.449772	0.0001
LFDIOG	0.415475	0.103271	4.023153	0.0002
LEXR	-0.614990	0.280676	-2.191105	0.0338
LCPI	0.183201	0.310946	0.589173	0.5588
R-squared	0.815276	Mean dependent var		0.360648
Adjusted R-squared	0.775408	S.D. dependent var		2.254070
S.E. of regression	1.781417	Akaike info criterion		4.072351
Sum squared resid	139.6317	Schwarz criterion		4.228284
Log likelihood	-93.73642	Hannan-Quinn criter.		4.131278
F-statistic	10.41638	Durbin-Watson stat		0.755131
Prob(F-statistic)	0.000027			

Dependent Variable: LFDIOG
 Method: Least Squares
 Date: 10/10/18 Time: 05:47
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.796235	0.488156	18.01933	0.0000
LTO	0.647283	0.160890	4.023153	0.0002
LEXR	1.874727	0.237164	7.904778	0.0000
LCPI	0.200026	0.388474	0.514901	0.6092
R-squared	0.866255	Mean dependent var		13.93248
Adjusted R-squared	0.857136	S.D. dependent var		5.882726
S.E. of regression	2.223516	Akaike info criterion		4.515712
Sum squared resid	217.5370	Schwarz criterion		4.671645
Log likelihood	-104.3771	Hannan-Quinn criter.		4.574639
F-statistic	94.99465	Durbin-Watson stat		0.711916
Prob(F-statistic)	0.000000			

Dependent Variable: LFDIOG
 Method: Least Squares
 Date: 10/10/18 Time: 05:49
 Sample: 1970 2017
 Included observations: 34

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.21994	1.437097	9.894910	0.0000
LBOP	-0.900382	0.196942	-4.571809	0.0001
LEXR	3.030689	0.351322	8.626518	0.0000
LCPI	-0.189473	0.510306	-0.371293	0.7130
R-squared	0.902159	Mean dependent var		14.00159
Adjusted R-squared	0.892375	S.D. dependent var		6.541588
S.E. of regression	2.146049	Akaike info criterion		4.475265
Sum squared resid	138.1658	Schwarz criterion		4.654837
Log likelihood	-72.07950	Hannan-Quinn criter.		4.536504
F-statistic	92.20684	Durbin-Watson stat		0.227484
Prob(F-statistic)	0.000000			

Dependent Variable: LBOP
 Method: Least Squares
 Date: 10/10/18 Time: 05:55
 Sample: 1970 2017
 Included observations: 34

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.47497	0.895880	11.69238	0.0000
LFDIOG	-0.456057	0.099754	-4.571809	0.0001
LEXR	2.000020	0.290278	6.890025	0.0000
LCPI	-0.558440	0.349447	-1.598067	0.1205
R-squared	0.681887	Mean dependent var		8.081804
Adjusted R-squared	0.650076	S.D. dependent var		2.581957
S.E. of regression	1.527340	Akaike info criterion		3.795064
Sum squared resid	69.98305	Schwarz criterion		3.974636
Log likelihood	-60.51608	Hannan-Quinn criter.		3.856303
F-statistic	21.43541	Durbin-Watson stat		0.488017
Prob(F-statistic)	0.000000			

Dependent Variable: LFDIOG
 Method: Least Squares
 Date: 10/10/18 Time: 05:58
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.93793	7.382722	3.106974	0.0033
LTR	17.71942	8.930771	1.984087	0.0535
LEXR	3.181550	0.641719	4.957853	0.0000
LCPI	0.821260	0.472126	1.739494	0.0889
R-squared	0.832079	Mean dependent var		13.93248
Adjusted R-squared	0.820630	S.D. dependent var		5.882726
S.E. of regression	2.491458	Akaike info criterion		4.743268
Sum squared resid	273.1239	Schwarz criterion		4.899202
Log likelihood	-109.8384	Hannan-Quinn criter.		4.802196
F-statistic	72.67609	Durbin-Watson stat		0.418791
Prob(F-statistic)	0.000000			

Dependent Variable: LTR
 Method: Least Squares
 Date: 10/10/18 Time: 05:59
 Sample: 1970 2017
 Included observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.863115	0.021265	-40.58795	0.0000
LFDIOG	0.004635	0.002336	1.984087	0.0535
LEXR	-0.074922	0.006348	-11.80150	0.0000
LCPI	-0.023773	0.007033	-3.380081	0.0015
R-squared	0.956326	Mean dependent var		-1.017558
Adjusted R-squared	0.953348	S.D. dependent var		0.186551
S.E. of regression	0.040293	Akaike info criterion		-3.505617
Sum squared resid	0.071436	Schwarz criterion		-3.349683
Log likelihood	88.13480	Hannan-Quinn criter.		-3.446689
F-statistic	321.1562	Durbin-Watson stat		0.650089
Prob(F-statistic)	0.000000			

Unit Root Test

At Level for LFDIOG

Null Hypothesis: LFDIOG has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.104900	0.9428
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LFDIOG)

Method: Least Squares

Date: 10/10/18 Time: 06:12

Sample (adjusted): 1971 2017

Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LFDIOG(-1)	-0.004323	0.041213	-0.104900	0.9169
C	0.482436	0.608634	0.792654	0.4321
R-squared	0.000244	Mean dependent var		0.423343
Adjusted R-squared	-0.021972	S.D. dependent var		1.562757
S.E. of regression	1.579833	Akaike info criterion		3.794136
Sum squared resid	112.3142	Schwarz criterion		3.872866
Log likelihood	-87.16220	Hannan-Quinn criter.		3.823763
F-statistic	0.011004	Durbin-Watson stat		2.269241
Prob(F-statistic)	0.916921			

Null Hypothesis: LFDIOG has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.806391	0.2023
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LFDIOG)
 Method: Least Squares
 Date: 10/10/18 Time: 06:15
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LFDIOG(-1)	-0.322596	0.114950	-2.806391	0.0074
C	1.495275	0.660255	2.264694	0.0285
@TREND("1970")	0.139063	0.047384	2.934806	0.0053
R-squared	0.163911	Mean dependent var		0.423343
Adjusted R-squared	0.125907	S.D. dependent var		1.562757
S.E. of regression	1.461068	Akaike info criterion		3.657914
Sum squared resid	93.92768	Schwarz criterion		3.776009
Log likelihood	-82.96098	Hannan-Quinn criter.		3.702354
F-statistic	4.312975	Durbin-Watson stat		1.970552
Prob(F-statistic)	0.019479			

At 1st Difference (LFDIOG)

Null Hypothesis: D(LFDIOG) has a unit root

Exogenous: Constant

Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.630399	0.0000
Test critical values:		
1% level	-3.584743	
5% level	-2.928142	
10% level	-2.602225	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LFDIOG,2)

Method: Least Squares

Date: 10/10/18 Time: 06:16

Sample (adjusted): 1973 2017

Included observations: 45 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LFDIOG(-1))	-1.509872	0.227720	-6.630399	0.0000
D(LFDIOG(-1),2)	0.321880	0.152619	2.109039	0.0409
C	0.621354	0.245878	2.527088	0.0154
R-squared	0.611032	Mean dependent var		0.006875
Adjusted R-squared	0.592510	S.D. dependent var		2.411599
S.E. of regression	1.539443	Akaike info criterion		3.765059
Sum squared resid	99.53521	Schwarz criterion		3.885503
Log likelihood	-81.71383	Hannan-Quinn criter.		3.809960
F-statistic	32.98904	Durbin-Watson stat		2.015236
Prob(F-statistic)	0.000000			

At Level LTO

Null Hypothesis: LTO has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.515263	0.8789
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LTO)

Method: Least Squares

Date: 10/10/18 Time: 06:21

Sample (adjusted): 1971 2017

Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LTO(-1)	-0.047398	0.091988	-0.515263	0.6089
C	0.188345	0.183191	1.028136	0.3094
R-squared	0.005865	Mean dependent var		0.178610
Adjusted R-squared	-0.016227	S.D. dependent var		1.239182
S.E. of regression	1.249196	Akaike info criterion		3.324498
Sum squared resid	70.22203	Schwarz criterion		3.403228
Log likelihood	-76.12570	Hannan-Quinn criter.		3.354124
F-statistic	0.265496	Durbin-Watson stat		2.016471
Prob(F-statistic)	0.608891			

Null Hypothesis: LTO has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.321326	0.8703
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LTO)
 Method: Least Squares
 Date: 10/10/18 Time: 06:22
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LTO(-1)	-0.135380	0.102458	-1.321326	0.1932
C	-0.434728	0.392146	-1.108585	0.2736
@TREND("1970")	0.026714	0.014962	1.785492	0.0811
R-squared	0.073028	Mean dependent var		0.178610
Adjusted R-squared	0.030893	S.D. dependent var		1.239182
S.E. of regression	1.219891	Akaike info criterion		3.297102
Sum squared resid	65.47789	Schwarz criterion		3.415196
Log likelihood	-74.48189	Hannan-Quinn criter.		3.341541
F-statistic	1.733193	Durbin-Watson stat		1.980510
Prob(F-statistic)	0.188566			

1st Difference of LTO

Null Hypothesis: D(LTO) has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.981034	0.0000
Test critical values:		
1% level	-3.581152	
5% level	-2.926622	
10% level	-2.601424	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LTO,2)
 Method: Least Squares
 Date: 10/10/18 Time: 06:23
 Sample (adjusted): 1972 2017
 Included observations: 46 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LTO(-1))	-1.051542	0.150628	-6.981034	0.0000
C	0.188926	0.188618	1.001633	0.3220
R-squared	0.525529	Mean dependent var		-0.004863
Adjusted R-squared	0.514745	S.D. dependent var		1.816442
S.E. of regression	1.265337	Akaike info criterion		3.351059
Sum squared resid	70.44743	Schwarz criterion		3.430565
Log likelihood	-75.07436	Hannan-Quinn criter.		3.380842
F-statistic	48.73483	Durbin-Watson stat		2.000978
Prob(F-statistic)	0.000000			

At Level of LEXR

Null Hypothesis: LEXR has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.230497	0.9270
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LEXR)
 Method: Least Squares
 Date: 10/10/18 Time: 06:25
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEXR(-1)	-0.004055	0.017594	-0.230497	0.8188
C	0.143606	0.058638	2.449030	0.0183
R-squared	0.001179	Mean dependent var		0.133915
Adjusted R-squared	-0.021017	S.D. dependent var		0.277318
S.E. of regression	0.280217	Akaike info criterion		0.335120
Sum squared resid	3.533482	Schwarz criterion		0.413849
Log likelihood	-5.875315	Hannan-Quinn criter.		0.364746
F-statistic	0.053129	Durbin-Watson stat		1.639989
Prob(F-statistic)	0.818750			

Null Hypothesis: LEXR has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.611436	0.7734
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LEXR)
 Method: Least Squares
 Date: 10/10/18 Time: 06:26
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEXR(-1)	-0.101574	0.063033	-1.611436	0.1142
C	-0.040189	0.127955	-0.314085	0.7549
@TREND("1970")	0.017368	0.010796	1.608815	0.1148
R-squared	0.056670	Mean dependent var		0.133915
Adjusted R-squared	0.013792	S.D. dependent var		0.277318
S.E. of regression	0.275399	Akaike info criterion		0.320513
Sum squared resid	3.337174	Schwarz criterion		0.438608
Log likelihood	-4.532066	Hannan-Quinn criter.		0.364953
F-statistic	1.321646	Durbin-Watson stat		1.579818
Prob(F-statistic)	0.277075			

At 1st Difference LEXR

Null Hypothesis: D(LEXR) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-5.523439	0.0000
Test critical values:		
1% level	-3.581152	
5% level	-2.926622	
10% level	-2.601424	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LEXR,2)

Method: Least Squares

Date: 10/10/18 Time: 06:27

Sample (adjusted): 1972 2017

Included observations: 46 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LEXR(-1))	-0.839036	0.151905	-5.523439	0.0000
C	0.116645	0.045368	2.571082	0.0136
R-squared	0.409462	Mean dependent var		0.011449
Adjusted R-squared	0.396041	S.D. dependent var		0.359359
S.E. of regression	0.279275	Akaike info criterion		0.329264
Sum squared resid	3.431756	Schwarz criterion		0.408770
Log likelihood	-5.573077	Hannan-Quinn criter.		0.359048
F-statistic	30.50838	Durbin-Watson stat		1.963418
Prob(F-statistic)	0.000002			

At level LCPI

Null Hypothesis: LCPI has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.633948	0.4576
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LCPI)

Method: Least Squares

Date: 10/10/18 Time: 06:29

Sample (adjusted): 1971 2017

Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LCPI(-1)	-0.121232	0.074196	-1.633948	0.1092
C	0.239507	0.149232	1.604930	0.1155
R-squared	0.056006	Mean dependent var		0.067019
Adjusted R-squared	0.035028	S.D. dependent var		0.736148
S.E. of regression	0.723140	Akaike info criterion		2.231193
Sum squared resid	23.53191	Schwarz criterion		2.309923
Log likelihood	-50.43304	Hannan-Quinn criter.		2.260820
F-statistic	2.669785	Durbin-Watson stat		2.423655
Prob(F-statistic)	0.109248			

Null Hypothesis: LCPI has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.611787	0.0895
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LCPI)
 Method: Least Squares
 Date: 10/10/18 Time: 06:30
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LCPI(-1)	-0.446485	0.123619	-3.611787	0.0008
C	-0.276092	0.213179	-1.295120	0.2020
@TREND("1970")	0.040765	0.012956	3.146455	0.0080
R-squared	0.229395	Mean dependent var		0.067019
Adjusted R-squared	0.194368	S.D. dependent var		0.736148
S.E. of regression	0.660744	Akaike info criterion		2.070802
Sum squared resid	19.20965	Schwarz criterion		2.188897
Log likelihood	-45.66385	Hannan-Quinn criter.		2.115242
F-statistic	6.549000	Durbin-Watson stat		2.115940
Prob(F-statistic)	0.083238			

At 1st Difference LCPI

Null Hypothesis: D(LCPI) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-9.008773	0.0000
Test critical values:		
1% level	-3.581152	
5% level	-2.926622	
10% level	-2.601424	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LCPI,2)

Method: Least Squares

Date: 10/10/18 Time: 06:31

Sample (adjusted): 1972 2017

Included observations: 46 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LCPI(-1))	-1.295284	0.143780	-9.008773	0.0000
C	0.080890	0.106288	0.761047	0.4507
R-squared	0.648444	Mean dependent var		-0.006781
Adjusted R-squared	0.640454	S.D. dependent var		1.197176
S.E. of regression	0.717852	Akaike info criterion		2.217398
Sum squared resid	22.67371	Schwarz criterion		2.296905
Log likelihood	-49.00016	Hannan-Quinn criter.		2.247182
F-statistic	81.15800	Durbin-Watson stat		2.025632
Prob(F-statistic)	0.000000			

At Difference LTR

Null Hypothesis: LTR has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.766591	0.8192
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LTR)

Method: Least Squares

Date: 10/10/18 Time: 06:34

Sample (adjusted): 1971 2017

Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LTR(-1)	-0.020461	0.026691	-0.766591	0.4473
C	-0.029366	0.027498	-1.067924	0.2913
R-squared	0.012891	Mean dependent var		-0.008627
Adjusted R-squared	-0.009045	S.D. dependent var		0.033612
S.E. of regression	0.033763	Akaike info criterion		-3.897266
Sum squared resid	0.051298	Schwarz criterion		-3.818536
Log likelihood	93.58575	Hannan-Quinn criter.		-3.867640
F-statistic	0.587662	Durbin-Watson stat		2.118700
Prob(F-statistic)	0.447328			

Null Hypothesis: LTR has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.419632	0.8422
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LTR)
 Method: Least Squares
 Date: 10/10/18 Time: 06:38
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LTR(-1)	-0.099327	0.069967	-1.419632	0.1628
C	-0.081476	0.050770	-1.604806	0.1157
@TREND("1970")	-0.001160	0.000952	-1.218305	0.2296
R-squared	0.045103	Mean dependent var		-0.008627
Adjusted R-squared	0.001698	S.D. dependent var		0.033612
S.E. of regression	0.033583	Akaike info criterion		-3.887890
Sum squared resid	0.049624	Schwarz criterion		-3.769795
Log likelihood	94.36541	Hannan-Quinn criter.		-3.843450
F-statistic	1.039127	Durbin-Watson stat		2.023793
Prob(F-statistic)	0.362282			

At 1st Difference LTR

Null Hypothesis: D(LTR) has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.106977	0.0000
Test critical values:		
1% level	-3.581152	
5% level	-2.926622	
10% level	-2.601424	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(LTR,2)

Method: Least Squares

Date: 10/10/18 Time: 06:38

Sample (adjusted): 1972 2017

Included observations: 46 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LTR(-1))	-1.068873	0.150398	-7.106977	0.0000
C	-0.009422	0.005222	-1.804041	0.0781
R-squared	0.534437	Mean dependent var		0.000000
Adjusted R-squared	0.523856	S.D. dependent var		0.049650
S.E. of regression	0.034260	Akaike info criterion		-3.867154
Sum squared resid	0.051646	Schwarz criterion		-3.787648
Log likelihood	90.94455	Hannan-Quinn criter.		-3.837371
F-statistic	50.50913	Durbin-Watson stat		2.010189
Prob(F-statistic)	0.000000			

Null Hypothesis: LBOP has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.856222	0.68100
Test critical values:		
1% level	-3.577723	
5% level	-2.925169	
10% level	-2.600658	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LBOP)
 Method: Least Squares
 Date: 10/10/18 Time: 06:53
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LBOP(-1)	-1.021810	0.149034	-6.856222	0.0000
C	180.0111	171.7414	1.048152	0.3002
R-squared	0.510911	Mean dependent var		0.089814
Adjusted R-squared	0.500042	S.D. dependent var		1645.611
S.E. of regression	1163.574	Akaike info criterion		16.99800
Sum squared resid	60925679	Schwarz criterion		17.07673
Log likelihood	-397.4530	Hannan-Quinn criter.		17.02763
F-statistic	47.00778	Durbin-Watson stat		2.000988
Prob(F-statistic)	0.67110			

Null Hypothesis: LBOP has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.919529	0.768927
Test critical values:		
1% level	-4.165756	
5% level	-3.508508	
10% level	-3.184230	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LBOP)
 Method: Least Squares
 Date: 10/10/18 Time: 06:54
 Sample (adjusted): 1971 2017
 Included observations: 47 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LBOP(-1)	-1.040700	0.150400	-6.919529	0.0000
C	477.1715	351.3736	1.358017	0.1814
@TREND("1970")	-12.24309	12.62699	-0.969596	0.3375
R-squared	0.521142	Mean dependent var		0.089814
Adjusted R-squared	0.499376	S.D. dependent var		1645.611
S.E. of regression	1164.349	Akaike info criterion		17.01941
Sum squared resid	59651155	Schwarz criterion		17.13751
Log likelihood	-396.9562	Hannan-Quinn criter.		17.06385
F-statistic	23.94267	Durbin-Watson stat		2.006867
Prob(F-statistic)	0.7689271			

Null Hypothesis: D(LBOP) has a unit root
 Exogenous: Constant
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.934580	0.0000
Test critical values:		
1% level	-3.584743	
5% level	-2.928142	
10% level	-2.602225	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(LBOP,2)
 Method: Least Squares
 Date: 10/10/18 Time: 06:55
 Sample (adjusted): 1973 2017
 Included observations: 45 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LBOP(-1))	-1.999641	0.252016	-7.934580	0.0000
D(LBOP(-1),2)	0.333004	0.145497	2.288739	0.0272
C	0.138070	209.6302	0.000659	0.9995
R-squared	0.777768	Mean dependent var		0.049961
Adjusted R-squared	0.767186	S.D. dependent var		2914.440
S.E. of regression	1406.242	Akaike info criterion		17.39957
Sum squared resid	83055733	Schwarz criterion		17.52001
Log likelihood	-388.4903	Hannan-Quinn criter.		17.44447
F-statistic	73.49585	Durbin-Watson stat		2.166320
Prob(F-statistic)	0.000000			

Co-integration Test

Date: 10/10/18 Time: 07:15
 Sample (adjusted): 1980 2017
 Included observations: 38 after adjustments
 Trend assumption: Linear deterministic trend
 Series: LFDIOG LTO
 Lags interval (in first differences): 2 to 9

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.341827	17.37312	15.49471	0.0258
At most 1	0.038152	1.478171	3.841466	0.2241

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.341827	15.89494	14.26460	0.0274
At most 1	0.038152	1.478171	3.841466	0.2241

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b'S11*b=I):

LFDIOG	LTO
-0.209738	1.153046
0.199881	0.616100

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	0.001211	-0.213785
D(LTO)	-0.452084	0.061185

1 Cointegrating Equation(s): Log likelihood -93.52192

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	LTO
1.000000	-5.497556
	(1.83660)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	-0.000254
	(0.05133)
D(LTO)	0.094819

(0.03288)

Date: 10/10/18 Time: 07:45
Sample (adjusted): 1982 2017
Included observations: 36 after adjustments
Trend assumption: Linear deterministic trend
Series: LFDIOG LEXR
Lags interval (in first differences): 1 to 11

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.324976	17.14163	15.49471	0.0280
At most 1	0.079786	2.993370	3.841466	0.0836

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.324976	14.14826	14.26460	0.0521
At most 1	0.079786	2.993370	3.841466	0.0836

Max-eigenvalue test indicates no cointegration at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDIOG	LEXR
-5.657245	10.29519
2.756626	-4.277303

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	0.047240	-0.270298
D(LEXR)	-0.136166	-0.033194

1 Cointegrating Equation(s): Log likelihood -43.45883

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	LEXR
1.000000	-1.819824
	(0.04887)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	-0.267246
	(1.56672)
D(LEXR)	0.770324
	(0.37356)

Date: 10/10/18 Time: 07:51
 Sample (adjusted): 1982 2017
 Included observations: 36 after adjustments
 Trend assumption: Linear deterministic trend
 Series: LFDIOG LCPI
 Lags interval (in first differences): 1 to 11

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.628835	42.15249	15.49471	0.0000
At most 1 *	0.164559	6.472631	3.841466	0.0110

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.628835	35.67986	14.26460	0.0000
At most 1 *	0.164559	6.472631	3.841466	0.0110

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDI OG	LCPI
-0.628570	0.765933
1.110038	-3.737273

Unrestricted Adjustment Coefficients (alpha):

	D(LFDIOG)	D(LCPI)
	-0.522261	-0.175149
	-0.232345	0.198333

1 Cointegrating Equation(s): Log likelihood -55.45752

Normalized cointegrating coefficients (standard error in parentheses)

LFDI OG	LCPI
1.000000	-1.218533
	(0.41459)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	D(LCPI)
0.328278	0.146045
(0.10695)	(0.09444)

Date: 10/10/18 Time: 07:59
Sample (adjusted): 1983 2017
Included observations: 35 after adjustments
Trend assumption: Linear deterministic trend
Series: LTO LEXR
Lags interval (in first differences): 1 to 12

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.760188	52.18337	15.49471	0.0000
At most 1	0.061106	2.206851	3.841466	0.1374

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.760188	49.97652	14.26460	0.0000
At most 1	0.061106	2.206851	3.841466	0.1374

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LTO	LEXR
-0.821816	0.947802
-15.16884	1.616038

Unrestricted Adjustment Coefficients (alpha):

D(LTO)	0.247553	0.110545
D(LEXR)	-0.071186	0.047212

1 Cointegrating Equation(s): Log likelihood 9.654353

Normalized cointegrating coefficients (standard error in parentheses)

LTO	LEXR
1.000000	-1.153303
	(0.19569)

Adjustment coefficients (standard error in parentheses)

D(LTO)	-0.203443
	(0.12829)
D(LEXR)	0.058502
	(0.05345)

Date: 10/10/18 Time: 08:02
Sample (adjusted): 1983 2017
Included observations: 35 after adjustments
Trend assumption: Linear deterministic trend
Series: LTO LCPI
Lags interval (in first differences): 1 to 12

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.646996	37.50649	15.49471	0.0000
At most 1	0.029882	1.061826	3.841466	0.3028

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.646996	36.44466	14.26460	0.0000
At most 1	0.029882	1.061826	3.841466	0.3028

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LTO	LCPI
-26.25512	3.966646
21.71552	-1.151057

Unrestricted Adjustment Coefficients (alpha):

D(LTO)	0.372172	0.004040
D(LCPI)	-0.146928	0.073315

1 Cointegrating Equation(s): Log likelihood -24.86128

Normalized cointegrating coefficients (standard error in parentheses)

LTO	LCPI
1.000000	-0.151081
	(0.01539)

Adjustment coefficients (standard error in parentheses)

D(LTO)	-9.771419
	(2.41457)
D(LCPI)	3.857600
	(3.83134)

Tax Rate and Foreign direct Investment in Oil and Gas in Nigeria

Date: 06/12/18 Time: 00:28

Sample (adjusted): 1981 2017

Included observations: 37 after adjustments

Trend assumption: Linear deterministic trend

Series: LFDIOG LTR

Lags interval (in first differences): 1 to 10

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.371790	22.79110	15.49471	0.0033
At most 1 *	0.140233	5.590492	3.841466	0.0181

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.371790	17.20061	14.26460	0.0167
At most 1 *	0.140233	5.590492	3.841466	0.0181

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDIOG	LTR
2.630825	59.27326
0.544179	4.798562

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	0.358897	0.323088
D(LTR)	-0.016346	0.006125

1 Cointegrating Equation(s): Log likelihood 30.08985

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	LTR
1.000000	22.53029
	(0.93223)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	0.944196
D(LTR)	-0.043004
	(0.66625)
	(0.01821)

Date: 06/12/18 Time: 00:35
Sample (adjusted): 1985 2017
Included observations: 33 after adjustments
Trend assumption: Linear deterministic trend
Series: LFDIOG LEXR
Lags interval (in first differences): 1 to 14

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.623222	39.49728	15.49471	0.0000
At most 1 *	0.198112	7.285964	3.841466	0.0069

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.623222	32.21131	14.26460	0.0000
At most 1 *	0.198112	7.285964	3.841466	0.0069

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDIOG	LEXR
-24.87529	43.54342
10.76037	-17.36004

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	0.374650	-0.096055
D(LEXR)	-0.035449	-0.043874

1 Cointegrating Equation(s): Log likelihood 17.29895

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	LEXR
1.000000	-1.750468
	(0.02444)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	-9.319527
D(LEXR)	0.881803
	(5.20661)

(1.46998)

Date: 06/12/18 Time: 00:39
Sample (adjusted): 1982 2017
Included observations: 36 after adjustments
Trend assumption: Linear deterministic trend
Series: LFDIOG CPI
Lags interval (in first differences): 1 to 11

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.599341	42.81003	15.49471	0.0000
At most 1 *	0.240066	9.882840	3.841466	0.0017

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.599341	32.92719	14.26460	0.0000
At most 1 *	0.240066	9.882840	3.841466	0.0017

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDIOG	CPI
-0.747896	0.068195
1.350914	-0.493451

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	-0.440042	-0.216984
D(CPI)	-1.440059	1.198033

1 Cointegrating Equation(s): Log likelihood -114.3063

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	CPI
1.000000	-0.091182
	(0.05660)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	0.329105 (0.12319)
D(CPI)	1.077014 (0.58592)

Date: 06/12/18 Time: 00:49
 Sample (adjusted): 1984 2017
 Included observations: 34 after adjustments
 Trend assumption: Linear deterministic trend
 Series: LTR LCPI
 Lags interval (in first differences): 1 to 13

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.859992	69.03513	15.49471	0.0000
At most 1	0.062358	2.189171	3.841466	0.1390

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.859992	66.84596	14.26460	0.0000
At most 1	0.062358	2.189171	3.841466	0.1390

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LTR	LCPI
77.42194	10.55272
-51.53687	-8.963867

Unrestricted Adjustment Coefficients (alpha):

D(LTR)	0.004389	-0.004916
D(LCPI)	-0.163289	0.001167

1 Cointegrating Equation(s): Log likelihood 129.7502

Normalized cointegrating coefficients (standard error in parentheses)

LTR	LCPI
1.000000	0.136301
	(0.00343)

Adjustment coefficients (standard error in parentheses)

D(LTR)	0.339829
	(0.62476)
D(LCPI)	-12.64212
	(2.08768)

Balance of Payment and Foreign Direct Investment in Oil and Gas Sector in Nigeria

Date: 10/10/18 Time: 08:21
 Sample (adjusted): 1983 2017
 Included observations: 35 after adjustments
 Trend assumption: Linear deterministic trend
 Series: LFDIOG LBOP
 Lags interval (in first differences): 12 to 12

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.541491	27.50683	15.49471	0.0005
At most 1	0.006115	0.214696	3.841466	0.6431

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.541491	27.29213	14.26460	0.0003
At most 1	0.006115	0.214696	3.841466	0.6431

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LFDIOG	LBOP
0.029205	5.28E-07
0.218795	2.55E-08

Unrestricted Adjustment Coefficients (alpha):

D(LFDIOG)	D(LBOP)
0.202232	-2048336.
-0.128307	18130.86

1 Cointegrating Equation(s): Log likelihood -621.8919

Normalized cointegrating coefficients (standard error in parentheses)

LFDIOG	LBOP
1.000000	1.81E-05
	(2.9E-06)

Adjustment coefficients (standard error in parentheses)

D(LFDIOG)	0.005906 (0.00866)
D(LBOP)	-59822.44 (9961.45)

Date: 10/10/18 Time: 08:29

Sample (adjusted): 1983 2017

Included observations: 35 after adjustments

Trend assumption: Linear deterministic trend

Series: LBOP LEXR

Lags interval (in first differences): 1 to 12

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.495556	30.17970	15.49471	0.0002
At most 1 *	0.163040	6.229255	3.841466	0.0126

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.495556	23.95045	14.26460	0.0011
At most 1 *	0.163040	6.229255	3.841466	0.0126

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=I):

LBOP	LEXR
-5.46E-06	0.334879
-1.49E-07	-0.661155

Unrestricted Adjustment Coefficients (alpha):

D(LBOP)	1011383.	-167811.3
D(LEXR)	-0.000940	0.087013

1 Cointegrating Equation(s): Log likelihood -529.7944

Normalized cointegrating coefficients (standard error in parentheses)

LBOP	LEXR
1.000000	-61287.99 (41239.7)

Adjustment coefficients (standard error in parentheses)

D(LBOP)	-5.526216 (2.00675)
D(LEXR)	5.14E-09 (3.9E-07)

Date: 10/10/18 Time: 08:33
Sample (adjusted): 1983 2017
Included observations: 35 after adjustments
Trend assumption: Linear deterministic trend
Series: LBOP LCPI
Lags interval (in first differences): 1 to 12

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.252047	15.78351	15.49471	0.0452
At most 1 *	0.148319	5.618999	3.841466	0.0178

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.252047	10.16451	14.26460	0.2013
At most 1 *	0.148319	5.618999	3.841466	0.0178

Max-eigenvalue test indicates no cointegration at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b*S11*b=l):

LBOP	LCPI
-3.41E-06	-0.542616
2.67E-06	-1.060081

Unrestricted Adjustment Coefficients (alpha):

D(LBOP)	773266.7	-97632.55
D(LCPI)	0.046997	0.135913

1 Cointegrating Equation(s): Log likelihood -557.9458

Normalized cointegrating coefficients (standard error in parentheses)

LBOP	LCPI
1.000000	158957.8 (196708.)

Adjustment coefficients (standard error in parentheses)

D(LBOP)	-2.639611 (1.54291)
D(LCPI)	-1.60E-07 (4.1E-07)

Vector Error Correction Model

Tax Rate and Foreign Direct Investment in Oil and Gas Sector in Nigeria

Vector Error Correction Estimates

Date: 10/10/18 Time: 08:46

Sample (adjusted): 1973 2017

Included observations: 45 after adjustments

Standard errors in () & t-statistics in []

Cointegrating Eq:	CointEq1			
LFDIOG(-1)	1.000000			
LTR(-1)	238.5943 (235.170) [1.01456]			
LEXR(-1)	43.90321 (17.0158) [2.58014]			
LCPI(-1)	-55.92276 (14.4352) [-3.87407]			
C	201.6504			
Error Correction:	D(LFDIOG)	D(LTR)	D(LEXR)	D(LCPI)
CointEq1	-0.005920 (0.00623) [-0.95015]	-0.000490 (0.00012) [-4.03907]	-0.001037 (0.00119) [-0.86819]	- 0.006538 (0.00228) [2.87232]
D(LFDIOG(-1))	-0.192490 (0.16430) [-1.17157]	0.001019 (0.00320) [0.31843]	0.001307 (0.03149) [0.04151]	-0.034314 (0.06003) [-0.57162]
D(LFDIOG(-2))	-0.345590 (0.17119) [-2.01876]	-0.000182 (0.00334) [-0.05442]	-0.034018 (0.03281) [-1.03672]	0.019011 (0.06255) [0.30396]
D(LTR(-1))	-9.140274 (8.75566) [-1.04393]	-0.116026 (0.17059) [-0.68014]	-0.100826 (1.67825) [-0.06008]	-2.305767 (3.19895) [-0.72079]
D(LTR(-2))	-7.992923 (8.44905) [-0.94601]	-0.115843 (0.16462) [-0.70370]	-0.444328 (1.61948) [-0.27436]	2.343985 (3.08693) [0.75933]
D(LEXR(-1))	-0.661252 (0.99742) [-0.66296]	-0.013253 (0.01943) [-0.68197]	0.161691 (0.19118) [0.84574]	-1.507220 (0.36442) [-4.13599]
D(LEXR(-2))	-1.262077 (1.29174) [-0.97704]	0.048505 (0.02517) [1.92728]	0.079152 (0.24760) [0.31968]	0.360545 (0.47195) [0.76395]

D(LCPI(-1))	-0.918511 (0.50084) [-1.83393]	-0.009344 (0.00976) [-0.95758]	-0.089459 (0.09600) [-0.93187]	-0.090341 (0.18299) [-0.49370]
D(LCPI(-2))	-0.736919 (0.41940) [-1.75707]	-0.011341 (0.00817) [-1.38782]	-0.062338 (0.08039) [-0.77545]	0.093237 (0.15323) [0.60847]
C	0.830588 (0.30994) [2.67981]	-0.014569 (0.00604) [-2.41252]	0.126029 (0.05941) [2.12139]	0.228453 (0.11324) [2.01742]
R-squared	0.222906	0.360730	0.082297	0.524407
Adj. R-squared	0.023081	0.196347	-0.153683	0.402112
Sum sq. resids	87.25241	0.033122	3.205641	11.64702
S.E. equation	1.578900	0.030763	0.302638	0.576864
F-statistic	1.115508	2.194443	0.348746	4.288041
Log likelihood	-78.75044	98.46760	-4.412849	-33.44097
Akaike AIC	3.944464	-3.931893	0.640571	1.930710
Schwarz SC	4.345945	-3.530413	1.042052	2.332190
Mean dependent	0.428231	-0.009010	0.140385	0.074049
S.D. dependent	1.597443	0.034316	0.281760	0.746042
Determinant resid covariance (dof adj.)		4.15E-05		
Determinant resid covariance		1.52E-05		
Log likelihood		-5.760646		
Akaike information criterion		2.211584		
Schwarz criterion		3.978099		

Balance of Payment and Foreign Direct Investment

Vector Error Correction Estimates

Date: 10/10/18 Time: 09:12

Sample (adjusted): 1973 2017

Included observations: 45 after adjustments

Standard errors in () & t-statistics in []

Cointegrating Eq:	CointEq1			
LFDIOG(-1)	1.000000			
LBOP(-1)	1.39E-05 (2.4E-06) [5.87572]			
LEXR(-1)	-2.270734 (2.02841) [-1.11947]			
LCPI(-1)	-0.068097 (3.52544) [-0.01932]			
C	-13.27167			
Error Correction:	D(LFDIOG)	D(LBOP)	D(LEXR)	D(LCPI)
CointEq1	-0.007771 (0.01969) [0.39473]	-0.32358.0 (0.8507.0) [-5.53076]	-0.000760 (0.00371) [0.20477]	-0.007699 (0.00755) [-1.01910]
D(LFDIOG(-1))	-0.153607 (0.16867) [-0.91072]	42153.87 (158564.) [0.26585]	0.007778 (0.03178) [0.24475]	-0.047490 (0.06473) [-0.73367]
D(LFDIOG(-2))	-0.347232 (0.17663) [-1.96589]	-103089.6 (166051.) [-0.62083]	-0.035986 (0.03328) [-1.08134]	0.039678 (0.06779) [0.58534]
D(LBOP(-1))	2.21E-08 (2.1E-07) [0.10436]	0.261020 (0.19922) [1.31024]	1.14E-08 (4.0E-08) [0.28434]	6.57E-08 (8.1E-08) [0.80841]
D(LBOP(-2))	-6.47E-08 (1.5E-07) [-0.44180]	0.135767 (0.13767) [0.98620]	-6.09E-09 (2.8E-08) [-0.22082]	1.05E-07 (5.6E-08) [1.87446]
D(LEXR(-1))	-0.510089 (0.96072) [-0.53095]	1280413. (903181.) [1.41767]	0.142660 (0.18101) [0.78812]	-1.296072 (0.36870) [-3.51526]
D(LEXR(-2))	-1.165700 (1.06627) [-1.09325]	2976547. (1002411) [2.96939]	-0.010491 (0.20090) [-0.05222]	1.007874 (0.40921) [2.46299]

D(LCPI(-1))	-0.468152 (0.38610) [-1.21251]	685691.1 (362977.) [1.88907]	-0.060540 (0.07275) [-0.83219]	-0.181430 (0.14818) [-1.22443]
D(LCPI(-2))	-0.419445 (0.34851) [-1.20355]	1183895. (327635.) [3.61346]	-0.035288 (0.06566) [-0.53740]	-0.041265 (0.13375) [-0.30853]
C	0.887631 (0.30718) [2.88959]	-649037.9 (288785.) [-2.24748]	0.139084 (0.05788) [2.40307]	0.131949 (0.11789) [1.11927]
R-squared	0.202678	0.712106	0.090181	0.461594
Adj. R-squared	-0.002348	0.638076	-0.143772	0.323147
Sum sq. resids	89.52361	7.91E+13	3.178102	13.18528
S.E. equation	1.599318	1503535.	0.301335	0.613777
F-statistic	0.988547	9.619172	0.385466	3.334084
Log likelihood	-79.32863	-698.2475	-4.218720	-36.23210
Akaike AIC	3.970161	31.47767	0.631943	2.054760
Schwarz SC	4.371642	31.87915	1.033424	2.456240
Mean dependent	0.428231	0.089252	0.140385	0.074049
S.D. dependent	1.597443	2499223.	0.281760	0.746042
Determinant resid covariance (dof adj.)		1.75E+11		
Determinant resid covariance		6.41E+10		
Log likelihood		-815.2958		
Akaike information criterion		38.19092		
Schwarz criterion		39.95744		

Trade Openness and Foreign Direct Investment in Oil and Gas Sector in Nigeria

Vector Error Correction Estimates

Date: 10/10/18 Time: 09:31

Sample (adjusted): 1973 2017

Included observations: 45 after adjustments

Standard errors in () & t-statistics in []

Cointegrating Eq:	CointEq1			
LFDIOG(-1)	1.000000			
LTO(-1)	-1.476339 (0.40802) [-3.61832]			
LEXR(-1)	-1.391616 (0.42109) [-3.30483]			
LCPI(-1)	-0.199511 (0.73684) [-0.27077]			
C	-9.823572			

Error Correction:	D(LFDIOG)	D(LTO)	D(LEXR)	D(LCPI)
CointEq1	-0.014626 (0.12487) [-0.11714]	-0.331427 (0.08096) [4.09369]	-0.008809 (0.02365) [0.37251]	-0.021573 (0.05032) [0.42868]
D(LFDIOG(-1))	-0.178285 (0.20020) [-0.89055]	0.080648 (0.12980) [0.62132]	-0.006317 (0.03791) [-0.16661]	-0.062927 (0.08068) [-0.77993]
D(LFDIOG(-2))	-0.230830 (0.21725) [-1.06253]	-0.368469 (0.14086) [-2.61590]	-0.040031 (0.04114) [-0.97298]	-0.007160 (0.08755) [-0.08177]
D(LTO(-1))	-0.163458 (0.24242) [-0.67427]	0.382770 (0.15718) [2.43522]	0.004481 (0.04591) [0.09761]	0.014410 (0.09770) [0.14749]
D(LTO(-2))	0.106366 (0.20921) [0.50843]	0.165810 (0.13564) [1.22238]	-0.006078 (0.03962) [-0.15340]	-0.011440 (0.08431) [-0.13569]
D(LEXR(-1))	-0.548793 (0.96374) [-0.56944]	-0.736421 (0.62487) [-1.17852]	0.130534 (0.18251) [0.71520]	-1.216227 (0.38841) [-3.13132]
D(LEXR(-2))	-1.124334 (1.07333)	0.122555 (0.69592)	0.013410 (0.20327)	0.865069 (0.43257)

		[-1.04752]	[0.17611]	[0.06597]	[1.99982]
D(LCPI(-1))	-0.423883 (0.38917) [-1.08921]	-0.285034 (0.25233) [-1.12963]	-0.060359 (0.07370) [-0.81898]	-0.227280 (0.15684) [-1.44911]	
D(LCPI(-2))	-0.423895 (0.35314) [-1.20034]	0.143952 (0.22897) [0.62869]	-0.035611 (0.06688) [-0.53247]	-0.067024 (0.14232) [-0.47093]	
C	0.864538 (0.32458) [2.66356]	0.264770 (0.21045) [1.25811]	0.145284 (0.06147) [2.36351]	0.167050 (0.13081) [1.27702]	
R-squared	0.190838	0.458947	0.067172	0.397424	
Adj. R-squared	-0.017232	0.319819	-0.172698	0.242476	
Sum sq. resids	90.85297	38.19379	3.258474	14.75678	
S.E. equation	1.611148	1.044630	0.305122	0.649325	
F-statistic	0.917181	3.298738	0.280036	2.564882	
Log likelihood	-79.66028	-60.16247	-4.780657	-38.76564	
Akaike AIC	3.984902	3.118332	0.656918	2.167362	
Schwarz SC	4.386382	3.519813	1.058399	2.568843	
Mean dependent	0.428231	0.184003	0.140385	0.074049	
S.D. dependent	1.597443	1.266631	0.281760	0.746042	
Determinant resid covariance (dof adj.)		0.088761			
Determinant resid covariance		0.032482			
Log likelihood		-178.2998			
Akaike information criterion		9.879993			
Schwarz criterion		11.64651			