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Abstract
The study examines the disaggregated effects of FDI flows to mining and quarry, manufacturing and processing and business and trade to economic growth in Nigeria using time series data from 1960 to 2011. The study employs Generalized Method of Moments (GMM) estimator while paying particular attention to issues of weighting matrix estimation and coefficient covariance calculation. Specifying HAC - Newey-West weighting matrix in a heteroskedasticity and autocorrelation consistent estimator of the long-run covariance matrix based on an initial estimate, the results show that the effects of foreign direct investment on economic growth in Nigeria is sectoral specific. While FDI flows to trade and business has direct and significant impact with real gross domestic product in Nigeria, FDI flows to manufacturing sector and mining and quarrying have positive relationship but insignificant effects. While the result further shows that the interaction of FDI flows to trade and business and openness becomes negative and more significant that of FDI to manufacturing and mining and quarrying to openness are insignificant and positive. This insignificant impact of FDI and openness is a clear indication of her small share in the world economy and the composition of her exports occasioned by the exogeneity of her terms of trade.

Key Words: Disaggregated FDI, Growth, GMM, Nigeria

Introduction
Foreign Direct Investment (FDI) is widely considered an essential element for achieving sustainable development. Developing and newly industrialising countries have been strongly advised to rely primarily on foreign direct investment, in order to supplement national savings and promote economic development. Critics of TNCs, e.g. United Nations for Congress Trade and Development (UNCTAD), expect FDI to provide a stronger stimulus to income growth in host countries than other types of capital inflows. Even harsh critics of rash and comprehensive capital account liberalisation dismiss the option of complete isolation from international capital markets and argue in favour of opening up towards FDI (e.g. Stiglitz, 2000). The preference for FDI stems from its acknowledged advantages (Borensztein, DeGregoria and Lee 1998). FDI is considered less prone to crisis because direct investors, typically, have a longer-term perspective when engaging in a host country. Policy maker, especially those in transition and developing economies, hope that FDI inflow will bring much-needed capital, new technologies, marketing techniques and management skills.

These overwhelming importances of FDI have made Nigeria government and governments of other nations to give new attention to the potential for private FDI in their economies. To this end, Nigeria authorities have been trying to attract FDI via various means. For instance, the introduction of structural adjustment programme(SAP) in 1986 which had multifaceted liberalization as its core objective culminated into attracting capital flows into Nigeria while at the same time enhancing its efficient allocation in the private sector.
The New Industrial Policy (NIP) in 1989, the establishment of the Nigeria Investment Promotion Commission (NIPC) in early 1990s, the signing of Bilateral Investment Treaties (BITs) in the late 1990s and the (2003) deregulation policies are part of the fierce strategies for attracting FDI around the world. Even the recent hosting of the 24th edition of the World Economic Forum on Africa (WEFA) in Nigeria under the theme 'Forging Inclusive Growth, Creating Jobs' is effort in the same direction.

The growth of Foreign Direct Investment in Nigeria countries has been rapid in the recent decades. It rose from an annual rate of $442 million in 1962 to $1 billion in 1990 before surging to over $4 billion in 2005 and a record $5 billion in 2011. These receipts are expected to reach $8 billion in 2013, exceeding for the third consecutive time the flows of Official Development Assistant (ODA). The flows to Nigeria proved to be resilient during the global financial crisis, fell only by 36 percent in 2009 between 2008 and 2009 compared to 83 percent decline in ODA flows from their peak in 2007. Unlike other form of capital flows, FDI flow directly to multinational carry with them technologies of production, taste and styles of living, managerial philosophies and diverse business practices (DeGregorio, 2003).

UNCTAD (1999) argues that favourable economic environment has made some countries in Sub-Saharan Africa countries like Nigeria increasingly attractive as destinations for private capital inflows. However, the bulk of FDI in Nigeria is targeted mainly at extractive industries, particularly the petroleum sector, based on evidence from border mergers-and-acquisition related inflows, an important fraction of gross FDI inflows. The recent huge FDI flows to Nigeria which are linked mainly to extractive FDI, manufacturing FDI and trade and business and calls to question the ability of disaggregated FDI to drive growth effectively in Nigeria. Nunnenkamp and Spatz (2003) argue that the growth impacts of FDI are ambiguous because of highly aggregated FDI data.

The ambiguity and sometimes contradictory empirical findings indicate that FDI must no longer be considered to be a homogenous phenomenon. According to Nunnenkamp (2000b), FDI-growth impact depends on industrial-specific factors. Chaudhuri and Banerjee (2009) argue that, opening up FDI flows to the manufacturing, combined with close integration into world trade, seems to have strengthened the FDI/growth nexus in many developing countries like China and India. Considering the skewed nature of FDI flows to mining and quarry, manufacturing and processes and trade and businesses (see fig 1) and the compatibility of different types of FDI on economic conditions prevailing, the objective of this paper is to examine the disaggregated effects of FDI flows to mining and quarry, manufacturing and processing and business and trade to economic growth in Nigeria. This is in contrast with the aggregated FDI stock or flow data typically used in previous studies (Borensztein et al, 1995; Campos and Kinoshita, 2002; Kalemli-Ozcan et al, 2002; Blonigen and Wang 2004; Senbeta, 2008).

The remainder of this paper is organized as follows: Section 2 presents the literature review while section 3 deals with the methodological approaches adopted for the study. Section 4 presents the empirical results while section 5 concludes with policy implications.

Literature Review

The empirical studies examine the evidence regarding the possible contribution of the FDI to economic growth. The advent of large macroeconomic data sets makes these empirical studies possible. The empirical work involves cross-country studies, panel studies, pure time-series investigations, and country case studies. Some of the most influential studies on the subject are Borensztein et al (1995), Campos and Kinoshita (2002), Kalemli-Ozcan et al (2002), DeGregorio (2003), Blonigen and Wang (2004), Senbeta (2008), Ayadi (2010), Orji, Urama, Amuka (2013) and Ghazouani and Teraoui (2014). Borensztein et al for instance test the effect of foreign direct investment (FDI) on economic growth in a cross-country regression framework, utilizing data on FDI flows from industrial countries to 69 developing countries over the last two decades. Their results suggest that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. They however found that the higher productivity of FDI holds only when the host country has a minimum threshold stock of human capital and also that FDI has the effect of
increasing total investment in the economy more than one for one, which suggests the predominance of complementarity effects with domestic firms. Blonigen and Wang (2004) present Seemingly Unrelated Regression (SURE) estimates of the determinants of per-capita growth across countries, including decade-averages of FDI inflows, for the 1970s and 1980s. Their estimates based on the full sample, comprising both developing and developed host countries, did not reveal a significant effect of FDI on growth. However, when including the interaction of explanatory variables with a dummy variable indicating developing host countries, the growth impact of FDI turned positive for almost all developing countries, except for some countries with particularly low levels of education. This result is similar to the work of Campos and Kinoshita (2002). The researchers test the effects of FDI on growth in a set of countries in which FDI is purer technology transferred: the 25 Central and Eastern European and former Soviet Union transition countries between 1990 and 1998. Their main finding is that, in this more appropriate setting; FDI has a positive and significant impact on growth as theory predicts. Kalemi-Ozcan, Alfaro, Sayek, and Chanda (2002) examine the various links among foreign direct investment (FDI), financial markets, and economic growth. They explore whether countries with better financial systems can exploit FDI more efficiently. Using cross-country data from 1975 to 1995, they found that FDI alone plays an ambiguous role in contributing to economic growth but that countries with well-developed financial markets gain significantly from FDI. De Gregorio (2003), while contributing to the debate on the importance of FDI, notes that FDI may allow a country to bring in technologies and knowledge that are not readily available to domestic investors, and in this way increases productivity growth throughout the economy. FDI may also bring in expertise that the country does not possess, and foreign investors may have access to global markets. In fact, he found that increasing aggregate investment by 1 percentage point of GDP increased economic growth of Latin American countries by 0.1% to 0.2% a year, but increasing FDI by the same amount increased growth by approximately 0.6% a year during the period 1950-1985, thus indicating that FDI is three times more efficient than domestic investment. Nwosu, Orji et al (2013) investigated the role of regional integration in attracting foreign direct investment in Asean Countries. Using panel data model, the authors found that FDI from rest of the world are determined by macroeconomic fundamentals especially market size (GDP) and exchange rate, while inter-ASEAN FDI is not significantly related to macroeconomic fundamentals but depends on previous investments in the region. The competitive equilibrium model of Senbeta (2008) indicated that a technological spillover from FDI has positive effect on the total factor productivity of the host economy. Senbeta employs panel data for 22 Sub-Saharan African countries covering the period 1970-2000. He estimated the fixed effect model and the dynamic panel model and the results from both models are in line with the solution of analytical model and empirical results of some of the recent studies; which show that FDI inflow has negative short-term effects and positive long-run effects on total factor productivity. The above works do not, however, confront the potential biases caused by endogeneity as pointed out by Klasen, Herzer and Danzinger (2007).

Klasen et al (2007) use econometric techniques that directly confront the potential biases induced by endogeneity effects to challenges the widespread belief that FDI is generally spur growth. He found that in the vast majority of countries FDI has no statistically significant long-run impact on growth. This result is similar to the work of Oyinlola (1995) who employed Chenery and Stout's two-gap model. Conceptualized foreign capital to include foreign loans, direct foreign investments and export earnings, Oyinlola found that FDI has a negative effect on economic development in Nigeria. Ang (2009) examines the FDI-growth nexus in the small open economy of Malaysia by controlling for the level of financial development. Using time-series data from 1965 to 2004, Ang shows that FDI and financial development are positively related to output in the long-run and that the impact of FDI on output is enhanced through financial development. To supplement these findings, they assess the causal relationships between the variables. Ang found that economic growth causes FDI growth in the long-run, but no feedback relationship is observed. Nunnenkamp and Spatz (2004) argue that above literature largely ignores another aspect of the heterogeneity of FDI by using aggregate stock or flow data.
Nunnenkamp and Spatz (2004) argue that the motivations underlying FDI differ across sectors and industries. It cannot be ruled out that this translates into varying growth effects of FDI in particular industries. Chaudhuri and Banerjee (2010) therefore develop a three-sector general equilibrium model that explained simultaneous existence of unemployment of both skilled and unskilled labour. They find that foreign direct investment (FDI) in the primary export sector improve both national welfare and urban unemployment problem of unskilled labour while the consequences of foreign capital flows into the import-competing sector and high-skill export sector are ambiguous. The paper justifies the desirability of FDI flow in the primary export sector from the perspective of both unemployment and social welfare. Applying the rho's rank correlation and causality test, Ayadi (2010) similarly studied the disaggregated impact of FDI in Nigeria and found a very strong link with growth. Recently, Rangappa (2013) assessed the determinants of Foreign Direct Investment flows and its impact on Indian economy and concluded that FDI inflows can help to raise the output, production and export at the sectoral level of the Indian economy. Ghazouani and Teraoui (2014) examined the relationship between technology transfer and FDI in Tunisia over a period of 40 years from 1970 to 2010 and found that technology transfer does not originate primarily and exclusively in the FDI and that technology transfer and spillover effect of FDI does not seem to occur according to our results.

However, most of the econometric techniques used in the literature are OLS, fixed effect and Seemingly Unrelated Regression which assume static relationship and also did not consider the econometric problem of endogeneity. Econometric theory (Baltagi, 2008. p.135) suggest that most economic relationships are dynamic in nature. More so, the lumping of several developing countries together would have exacerbated the problem of heterogeneity bias thereby causing inefficient estimation. Adopting a new methodological approach to confront the above issues that is more dynamic and flexible than what has been adopted so far in the literature, this study tackles disaggregation, dynamism and endogeneity at the same time.

Analytical Framework and Methodology


\[ Y_t = \alpha FDI_t \beta L_t \lambda H_t \theta \]

Where \( Y \) is output, \( A \) is total factor productivity, FDI is foreign direct investment, \( L \) is Labour, \( H \) is Human capital. However, unlike most previous ones that used aggregated FDI our model disaggregate FDI flows to ascertain its specific impact on growth. This is considered because in most cases FDI flows to different sectors for different reasons and with different resultant effects in host country. By specifying a production function in which foreign direct investment is explicitly incorporated as a factor of production

\[ Y_t = A, FDI_{t1} FDI_{t2} FDI_{t3} L_t H_t CPI_t CPS_t \]

where \( FDI_{t1} \) is foreign direct investment inflow to Mining and Quarrying, \( FDI_{t2} \) is foreign direct investment inflow to Manufacturing and Processing, \( FDI_{t3} \) is foreign direct investment inflow to Trading and Business Services and \( FDI_{t4} \) is foreign direct investment inflow to Manufacturing and Process respectively. From the foregoing, it is suggested that a general empirical model of FDI on Nigeria economic growth can be put as follows:

\[ RGDPPC = F(RGDPPC_{t-1}, FDI_{t1}, FDI_{t2}, FDI_{t3}, CPS, OPEN, PG, CPI, EE) \]

Where,

- \( RGDPPC \) : real gross domestic product
- \( FDI_{t1} \) : cumulative foreign direct investment inflow to Mining and Quarrying
- \( FDI_{t2} \) : cumulative FDI in Manufacturing and Processes
- \( FDI_{t3} \) : cumulative FDI in Trading and Businesses
- \( CPS \) : the level of credit to private sector
- \( OPEN \) : the level of trade openness
- \( PG \) : population growth rate
- \( EE \) : expenditure on education
CPI consumer price index as a proxy of inflation rate

Taking logs on both sides of the equation (2) and denoting the lowercase variables as the natural log of the respective uppercase variable results in the following econometric regression function:

\[ y_t = \eta + \beta_1 fdi_t + \beta_2 ee_t + \beta_3 open_t + \beta_4 pg_t + \beta_5 fdi_t + \beta_6 cpi_t + \beta_7 cps_t + \epsilon \]

where the coefficients \( \eta, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \lambda \) and \( \theta \) are the output elasticities of the factor inputs and \( \epsilon \) is the error term. The dependent variable used being the real gross domestic per capita (in log form), is GDP after allowing for inflation.

4 Econometric Methodology

To study the disaggregated effect of FDI on economic growth, this paper applies the Generalized Method of Moments (GMM) estimator. As with other instrumental variable estimators, GMM estimator uses a set of variable term instruments, which are both correlated with the explanatory variable in the equation and uncorrelated with the disturbances which are used to eliminate the correlation between right-hand side variables and the disturbances.

GMM estimation assumes that there are set of moment conditions that the K-dimensional parameters of interest, should satisfy. Thus, the vector of moment conditions may be written as:

\[ E(\mu(y, \beta)) = 0 \]

In this study, we restrict our attention to moment conditions that may be written as an orthogonality condition between the residuals of an equation, \( u(\beta) = u(y, X, \beta) \) and a set of K instruments \( Z_t \):

\[ E(Z_t u(\beta)) = 0 \]

The Generalized Method of Moments estimator is defined by replacing the moment conditions in equation 4 with their sample analog, and finding the parameter vector which solves the set of equations. This study specified the HAC - Newey-West weighting matrix in a heteroskedasticity and autocorrelation consistent estimator of the long-run covariance matrix of \( [Z_t u(\beta)] \) based on an initial estimate of \( \rho \). The weight updating allows the study set the estimation algorithm type as both N-Step Iterative and Iterate to convergence. The advantage it has over the more widely used estimators, (see Green, 1997), is that it allows for the explicit solution for an over identified system while using the value of the objective function, termed the \( J \)-statistic to test for over-identifying moment conditions. Studies have, also found that GMM estimator performs better than TSLS and LIML in situations where there are many weak instruments (Hansen, Hausman, and Newey 2006).

Results

Instrument Orthogonality Test

The instrument orthogonality test, also known as the C-test or Eichenbaum, Hansen and Singleton (EHS) Test, evaluates the orthogonality condition of a sub-set of the instruments. Based on the individual test instruments, table 1 shows that the instrument applied are uncorrelated with the error term and that excluded instruments are correctly excluded from the estimated equation. Again, the high probability values confirm the validity of the instruments employed. This implies that the instrumental variables are orthogonal to a function of the parameters of the model.

Table 1: Instrument Orthogonality Test

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LA</td>
<td>9.7906</td>
<td>9.7281</td>
<td>0.0625</td>
<td>0.8026</td>
</tr>
<tr>
<td>LBC</td>
<td>9.7906</td>
<td>9.6937</td>
<td>0.0969</td>
<td>0.7556</td>
</tr>
<tr>
<td>LMQLCPS</td>
<td>9.7906</td>
<td>9.4766</td>
<td>0.3139</td>
<td>0.5753</td>
</tr>
<tr>
<td>LTC</td>
<td>9.7906</td>
<td>8.7897</td>
<td>1.0009</td>
<td>0.3171</td>
</tr>
<tr>
<td>MPPG</td>
<td>9.7906</td>
<td>9.6128</td>
<td>0.1778</td>
<td>0.6733</td>
</tr>
<tr>
<td>MPTB</td>
<td>9.7906</td>
<td>9.1761</td>
<td>0.6145</td>
<td>0.4331</td>
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<tr>
<td>TBPG</td>
<td>9.7906</td>
<td>9.6762</td>
<td>0.1144</td>
<td>0.7352</td>
</tr>
<tr>
<td>C</td>
<td>9.7906</td>
<td>9.4794</td>
<td>0.3112</td>
<td>0.5770</td>
</tr>
</tbody>
</table>

Note: The test statistic is Chi-squared distributed with degrees of freedom equal to the number of instruments.
Empirical Results

The empirical results obtained based on the disaggregated impact of FDI on economic growth in Nigeria are presented in Table 2. The overall performance of the model is satisfactory, with most of the coefficients correctly signed and five of the explanatory variables statistically significant. Column 2 is the GMM result and 3 is the GMM with interactions. The table present the coefficient, t-statistics and probability results. The result in the table is somehow consistent with our expectations. The results reveal that past realisation of economic growth produces some contemporaneous positive impact on economic growth. Precisely, a 100% increase in the past realisation of growth explains positively about 65% of current growth levels. As expected, the coefficient on financial development proxied by credit to private sector is positive and significant. The result implies that a 100% increase in credit to private sector leads to about 27% real per capita income. The results indicate that the degree of financial sophistication and quality is a predictor of economic growth in Nigeria. While this result is consistent with the growth enhancing view of financial intermediation espoused by King and Levin (1993a) and the empirical works of King and Levin (1993b) and Levin et al (2000), it is not in tandem with that of (Lucas, 1998).

Table 2: Estimated Coefficients, OLS and GMM Approaches

<table>
<thead>
<tr>
<th>Regressors</th>
<th>Model 1:GMM</th>
<th>Model 2:GMM</th>
<th>Prob. (GMM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLRGDP</td>
<td>0.356579*</td>
<td></td>
<td>0.0092</td>
</tr>
<tr>
<td></td>
<td>2.732979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPS</td>
<td>0.011834</td>
<td>0.087132</td>
<td>0.9310</td>
</tr>
<tr>
<td>EE</td>
<td>0.137517*</td>
<td>3.348972</td>
<td>0.0017</td>
</tr>
<tr>
<td>MP</td>
<td>0.005386</td>
<td>0.030659</td>
<td>0.9757</td>
</tr>
<tr>
<td>MQ</td>
<td>0.090635</td>
<td>1.314298</td>
<td>0.1961</td>
</tr>
<tr>
<td>OPEN</td>
<td>0.217689</td>
<td>0.971349</td>
<td>0.3371</td>
</tr>
<tr>
<td>TB</td>
<td>0.729538*</td>
<td>3.270743</td>
<td>0.0022</td>
</tr>
<tr>
<td>PG</td>
<td>2.176753*</td>
<td>4.858363</td>
<td>0.0000</td>
</tr>
<tr>
<td>CPI</td>
<td>0.015060*</td>
<td>3.593815</td>
<td>0.0009</td>
</tr>
<tr>
<td>MQ*OPEN</td>
<td></td>
<td>1.172468*</td>
<td>0.0006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.742038</td>
<td></td>
</tr>
<tr>
<td>TB*OPEN</td>
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<td>-3.221396</td>
<td>0.0027</td>
</tr>
<tr>
<td>MP*OPEN</td>
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<td>2.968117</td>
<td>0.5322</td>
</tr>
<tr>
<td>TB*PG</td>
<td>0.330441</td>
<td>0.776987</td>
<td>0.4421</td>
</tr>
<tr>
<td>R²</td>
<td>94.9261</td>
<td>98.7592</td>
<td></td>
</tr>
<tr>
<td>Adj R²</td>
<td>93.8124</td>
<td>98.3232</td>
<td></td>
</tr>
<tr>
<td>Instrum Rank</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>J. Stat</td>
<td>9.790570</td>
<td>11.37199</td>
<td></td>
</tr>
<tr>
<td>J.Stat(Prob)</td>
<td>0.777329</td>
<td>0.329280</td>
<td></td>
</tr>
</tbody>
</table>

(*) implies significant at 5% level of significance
Expenditure on education has a positive impact on economic growth. Assuming a causal relationship, a 100% increase in education expenditure suggests around a 14% increase in the rate of economic growth per capita. The empirical result shows that the population growth rate has a positive and significant effect on the real per capita GDP or economic growth with the indications that 100% increase in population lead to economic growth in Nigeria by 217%. Based on the probability values, the variable gained its significance at all levels. Oddly, inflation rate has a positive impact on per capita GDP with the indications that a 100% increase in inflation will engender economic growth per capital in Nigeria by 15%. Based on the probability values, the variable gained its significance at all levels.

FDI flows to trade and business has direct and significant relationships with RGDPPPC in Nigeria. Specifically, 100% increase in FDI flows to trade and business leads to about 73% increase in per capita income. This implies that FDI flows to trade and service sector has played a significant role in the Nigeria economic growth. The result also show that FDI to trade and business contributes to economic growth when an interaction term, i.e. the product of FDI to trade and business and openness a measure of globalization, enters the regression. This suggests that FDI contributes to economic growth only when a sufficient demand capability is available in the host country: the higher the level demand capacity of the citizen, the greater the gain in growth from a given FDI inflow. This implies that FDI inflows to Nigeria are highly driven by the existence of a large consumer market. However, the impact of FDI to manufacturing sector on economic growth is although positive but has insignificant relationship. FDI flows to manufacturing and openness indicate insignificant impact on per capital growth. Also trade openness has positive relationship but insignificant impact in the improvement of real gross domestic product per capita which shows that Nigeria has not really been benefiting from globalization. The insignificant impact might be due to the exogeneity of the terms of trade which is as a result of both the Nigeria small share in the world economy and by the composition of her exports. These results are in line with the findings of other studies. Many studies have indicated that most FDI to third world countries is market driven and is not likely to manifest in export orientation. Nunnennkamp (2002) noted that in contrast to FDIs in industrial countries, FDIs in developing countries still are directly predominantly to accessing natural resources and regional markets. Majority of firms in Nigeria manufacturing sector, therefore produce for the local economy. Oddly, the mining and quarrying counterpart has positive relationship on the per capita GDP but lost its significance at all levels. The positive but not significant relationship of mining and quarry FDI on RGDP reforms the argument that the extractive FDI bears little linkage with the real growth in Nigeria. The reason for this unexpected result may be due to the multifarious problems in the mining and quarrying sector ranging from poor maintenance, smuggling of products, ramparts pipeline ruptures by vandals. The liberalization of the downstream oil sector is a step in the right direction with a great potential to contribute to the growth of the economy.

Conclusion
Nigeria government take part in fierce international competition for attracting foreign direct investment (FDI), not least by offering subsidies to multinational companies over the past decades. This reflects the widely held belief, particularly among policymakers, that FDI has positive effects on economic growth that are supposed to result at least partly from technological spillovers. Meanwhile FDI flows to Nigeria have been skewed towards mining and quarry, manufacturing and process and trade and businesses constituting about 76% since 2005. This paper employed a Generalized Method of Moments (GMM) estimator to study the disaggregated impact of FDI in mining and quarry, manufacturing and processing and trade and business on growth. As with other instrumental variable estimators, the GMM estimator uses a set of variable term instruments, which are both correlated with the explanatory variable in the equation, and uncorrelated with the disturbances which are used to eliminate the correlation between right-hand side variables and the disturbances. This paper has argued that FDI impact on growth vary from sector to sector in Nigeria. Therefore, policy-makers should not expect too much from absolute FDI inflows and policies based solely on aggregate foreign investments impact may lead to distortions in policy formulation and deployment in Nigeria. The nexus between FDI and economic growth in Nigeria is neither self-evident nor straightforward, but remains insufficiently
explored territory. The implication of this result is that Nigerian government needs massive private sector investment in almost all aspect of the industrial sector for external competitiveness.

References
Appendix

![Figure 1: Disaggregated FDI Flows to Nigeria, 1980-2011](image)

### Table 3: FDI Flows to Nigeria and Macroeconomic Environments, 2004-2011

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<tr>
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<tbody>
<tr>
<td>Population (m)</td>
<td>136.5</td>
<td>139.8</td>
<td>144.0</td>
<td>146.2</td>
<td>149.5</td>
<td>152.2</td>
<td>155.4</td>
<td>158.4</td>
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<tr>
<td>GDP (US$ bn at market exchanged rates)</td>
<td>72.1</td>
<td>91.3</td>
<td>115.9</td>
<td>127.4</td>
<td>142.2</td>
<td>150.8</td>
<td>164.2</td>
<td>172.3</td>
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<tr>
<td>GDP (US$ bn at PPP)</td>
<td>148.6</td>
<td>162.5</td>
<td>176.7</td>
<td>190.9</td>
<td>210.2</td>
<td>228.1</td>
<td>247.6</td>
<td>268.1</td>
</tr>
<tr>
<td>GDP (% real change)</td>
<td>6.4</td>
<td>6.2</td>
<td>5.6</td>
<td>5.5</td>
<td>7.4</td>
<td>5.7</td>
<td>5.9</td>
<td>5.8</td>
</tr>
<tr>
<td>Foreign direct investment inflows (US$ bn)</td>
<td>1.9</td>
<td>2.0</td>
<td>2.5</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>% of GDP</td>
<td>2.6</td>
<td>2.2</td>
<td>2.1</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>% of gross fixed investment</td>
<td>11.7</td>
<td>9.7</td>
<td>8.3</td>
<td>6.2</td>
<td>6.2</td>
<td>5.6</td>
<td>5.0</td>
<td>4.9</td>
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<tr>
<td>Inward foreign direct investment stock (US$ bn)</td>
<td>27.2</td>
<td>29.2</td>
<td>31.7</td>
<td>33.6</td>
<td>35.7</td>
<td>37.9</td>
<td>40.0</td>
<td>42.2</td>
</tr>
<tr>
<td>% of GDP</td>
<td>37.7</td>
<td>32.2</td>
<td>27.3</td>
<td>26.4</td>
<td>25.1</td>
<td>25.1</td>
<td>24.3</td>
<td>24.5</td>
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<tr>
<td>Foreign direct investment outflows (US$ bn)</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
<td>Outward foreign direct investment stocks (US$ bn)</td>
<td>4.8</td>
<td>5.0</td>
<td>5.2</td>
<td>5.4</td>
<td>5.6</td>
<td>5.8</td>
<td>5.9</td>
<td>6.0</td>
</tr>
<tr>
<td>% of GDP</td>
<td>6.7</td>
<td>5.5</td>
<td>4.5</td>
<td>4.3</td>
<td>4.0</td>
<td>3.9</td>
<td>3.6</td>
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