ISTANBUL COMMERCE UNIVERSITY

GRADUATE SCHOOL OF FOREIGN TRADE

DEPARTMENT OF INTERNATIONAL TRADE

INTERNATIONAL TRADE M.A. PROGRAM

THE EFFECT OF INTERNATIONAL TRADE ON ECONOMIC GROWTH IN NIGERIA

M.A. Thesis

DEQA ALI OMAR

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DECLARATION OF ORIGINALITY

I, Deqa Ali Omar, certify that,

- I am the sole author of this thesis and that I have fully acknowledged and documented all sources of words and ideas digital resources, which have been produced by another person or institution;
- This thesis does not contain any material that has been submitted for a degree or diploma in any other educational sectors;
- This is a true copy of the thesis approved by my advisor and thesis committee at Istanbul Commerce University, including final revisions needed by them.

Deqa Ali Omar

September, 2022

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Deqa Ali Omar

September, 2022

ÖZET

Bu araştırma, uluslararası ticaretin Nijerya'nın ekonomik büyümesi üzerindeki etkisini incelemektedir. Bu çalışma, doğrudan yabancı yatırım (DYY), ihracat, ithalat ve enflasyonun Nijerya'nın ekonomik büyümesi üzerindeki etkisini analiz etmeyi amaçlamaktadır. Çalışma, son derece güvenilir, hatasız ve önyargısız dünya bankası veri göstergesinden alınan ikincil verileri kullanmaktadır ve çalışma verileri 1981 ile 2019 arasındaki bir zaman serisidir. Değişkenlerin ne kadar güçlü bir şekilde ilişkili olduğunu ortaya koymak için, birim kök testi, eşbütünleşme ve otoregresif dağılım gecikmesi kullanılmıştır. Çalışmanın bulgularına göre, kısa vadede DYY'nin Nijerya'nın ekonomik büyümesi üzerinde olumlu bir etkisi vardır. Ancak uzun vadede DYY'nin Nijerya'nın ekonomik büyümesi üzerinde istatistiksel olarak anlamlı olumsuz bir etkisi vardır. Nijerya'daki DYY, kısa vadede faydalıdır, bu da istihdam fırsatlarını genişleten ve bir ülkenin finans ve teknoloji endüstrilerini güçlendiren düşük-sermaye yoğun girişimlerde büyümeye yol açabilir. Nijerya hükümeti, kısa vadede DYY'yi ve pazar boyutunu artıracak politikalar uygulamalıdır. Çalışma, aynı zamanda, ihracat ve ithalatın Nijerya'nın ekonomik gelişimini hem kısa hem de uzun vadede etkilemediğini ortaya koymuştur. Nijeryalı işletmelerin karşılaştığı zorluklardan bazılarının, fon eksikliği, modern teknoloji, kısıtlı yönetim becerileri ve deneyimsiz işgücü olması mal ve hizmetlerini ihraç etmeye çalışırken ihracat ve ithalatın ekonomik kalkınma üzerinde önemli bir etkisi olmamasına neden olmuştur. Hükümet, aşırı ithalattan kaçınmak için vergi indirimleri, düzenleyici değişiklikler, tarifeler ve ithalat kontrolleri kullanmalıdır. Devlet sübvansiyonları, ithalatı azaltırken ihracatı artırabilir ve bu durum da daha fazla ekonomik genişlemeye yol açabilir. Çalışma, kısa vadede enflasyonun Nijerya'nın ekonomik büyümesi üzerinde olumlu bir etkiye sahip olduğunu, uzun vadede ise enflasyonun olumsuz bir etkiye sahip olduğunu ortaya koymaktadır. Kısa vadede enflasyon kârları artırır çünkü üreticiler ürünlerini daha yüksek fiyatlara satabilirler, yatırımcılar ve girişimciler yatırım yapmaya ve üretim, istihdam ve gelir artışına yönelirler. Enflasyonun uzun vadede Nijerya ekonomisi üzerinde olumsuz bir etkisi vardır ve hükümet ekonomiyi istikrara kavuşturmak için piyasaya ve para politikasına müdahale etmek durumunda kalır.

Anahtar Kelimeler: Doğrudan Yabancı Yatırım, İhracat, İthalat, Enflasyon, Gayri Safi Yurt İçi Hâsıla

ABSTRACT

The research examines the effect of international trade on the economic growth of Nigeria. This study aims to analyze the impact of foreign direct investment (FDI), exports, imports, and inflation, on Nigeria's economic growth. The study uses secondary data from a word bank data indicator which is highly reliable, and free from error and biases, and the study data was a time series from 1981 to 2019. The unit root test, cointegration, and autoregressive distribution lag were used in the study to figure out how strongly the variables were associated (ARDL). The study found that in the short-run the FDI has a positive effect on the economic growth of Nigeria. But in long run, FDI has a negative effect on the economic growth of Nigeria and this result was found by statistically significant. The FDI in Nigeria is beneficial in the short term, which can lead to growth in low-capital-intensive startups, which expands employment opportunities and strengthens a country's finance and technology industries. The Nigerian government should implement policies to increase FDI in the short term and market size. The study also found that exports and imports do not affect Nigeria's economic development in both the short and long term. Because of a lack of funds, modern technology, limited management skills, and an inexperienced workforce are some of the challenges that faced Nigerian businesses and caused the exports and imports have no significant influence on economic development while attempting to export its goods and services. The government should use tax cuts, regulatory modifications, tariffs, and import controls to avoid excessive imports. Government subsidies may increase exports while decreasing imports, leading to greater economic expansion. The study found that in the short-run inflation has a positive effect on Nigeria's economic growth, in the long run, inflation has a negative effect. In the short term, inflation boosts profits because producers can sell their products at greater prices, investors and entrepreneurs are driven to invest, and output, employment, and income growth. Inflation has a negative influence on Nigeria's economy over the long run, and the government must interfere in the market and monetary policy to stabilize the economy.

Keywords: Foreign Direct Investment, Exports, Imports, Inflation, Gross Domestic Production

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1. INTRODUCTION

International trade is the exchange of goods, services, and capital across international borders or regions. This kind of international trade has a considerable influence on almost every country's GDP. Global commerce is more challenging than trading between nations. Several factors influence trade between two or more nations, including the governments' economic and currency policies, as well as each country's laws and legal system. The formation of international economic groups may improve the efficiency and legitimacy of international trade. The World Trade Organization is an excellent example of this kind. One of the primary purposes of this organization is to increase worldwide trade. A country's balance of payments current account details its imports and exports. One of the advantages of international commerce may be access to new markets and items. On the global market, you may buy anything from food to apparel to spare parts to oil to jewelry to wine to stocks to money. Tourism, banking, consulting, and transportation are among the many services available, (Adeleye et al 2015).

Globalization cannot continue until international trade expands. Countries would be limited to the goods and services produced inside their own borders if international trade did not exist. For most of the second half of the twentieth century, international trade has been the dominant driver of progress. Strong international trade has allowed nations to grow and have influence over global economic policy. International trade may assist reduce poverty in a variety of ways. It is vital to emphasize that no country on the earth can grow or even survive unless it trades goods and services with other countries. Furthermore, it is critical to recognize that a country's economic growth and development are essentially determined by how its imports and exports trade. Nigeria's economic growth is heavily reliant on trade with other nations (Agbo et al 2018). Nigeria has several problems as it grows, in addition to political, social, and economic issues.

The government earns money through international trade. Commerce's role to economic growth has expanded in recent years. The openness of economies and the ease with which resources may be moved across borders affect countries' growth rates (Yakubu, and Akanegbu, 2015). Nigeria's economy is heavily reliant on international commerce, which

accounts for a significant portion of its output. Agriculture was a significant sector of the economy and a significant source of export money in the 1960s. However, agricultural exports have almost ceased since oil became a substantial source of foreign currency revenue in Nigeria in 1974.

Nigeria's economy is mostly centered on subsistence agriculture, with limited reliance on sophisticated technology. As a result, rather than exporting, there has been an increase in imports. Export trade is a subset of international trade in which goods are sent from one country to another for sale. Exports help a country's economy, which in turn helps the country's GDP. However, since the economy relies so heavily on imports, Nigeria sometimes take the export sector for granted, (Agbo et al 2018).

Due to their failure to satisfy local demand, small-scale businesses in Nigeria are insufficient for export product manufacturing. Exports contribute to economic growth, boost international cooperation, improve the country's balance of payments, and raise foreign currency income. International trade has both beneficial and bad effects on the Nigerian economy, (Egoro, and Obah, 2017). Some as a consequence, unemployment is a serious problem in Nigeria, and the country's failure to generate long-term employment via international trade may be a result of insufficient policy and corruption.

In the context of integration and globalization, It is thought that exports plays a significant impact in the development of the country. Productivity remains a pivotal in developing economies which makes it a major motivator for domestic investment; increases in human resources, natural resources and other resources. Increasing exports will help to rise aggregate demand and increase productivity growth, and exports will contribute to improving trade balance, employment and living standards; therefore, the number of developed and developing governments is trying to encourage their exporters to export more One of the most important factors of economic growth is the export rate in a country, but in most developing countries, real exports fall short of the desired amount needed to bring about a significant increase in domestic production, and many developing economies depend on investment to solve a number of economic problems and crises (Orhangazi, et al 2018). In most developing countries, including Djibouti, import substitution policies have failed to

support the industrialization process, and export diversification has not occurred as expected. In fact, a substantial number of economists concluded that exports remain a key part in every country's development process, whether high, middle or low income. In addition, literature shows that the productive system suffered significantly from high barriers to trade and distorted relative prices, (Phetsavong, and Ichihashi, 2012).

International trade (imports and exports) are among the numerous alternative policies suggested and/or sought for achieving GDP expansion. Distinguished researchers such as Adam Smith and David Ricardo alluded that the advantages of purchasing and selling goods between nations (international trade) have been well-known in developed economies, according to Adam Smith, foreign economic growth induced by trade is attributable to a total advantage, whereby a country increases its domestic income or production rates by exporting goods at lower input costs than others. David Ricardo, on the contrary, tried to broaden the concept of 'absolute advantage' by arguing that growth in domestic output is an outcome of what he calls as 'comparative advantage' of producing products at a lower real cost than other nations. International trade-induced growth, according to those conventional economists, results from the specialization that produces surplus goods and services and that these goods must be traded for money or for other commodities, (Ouedraogo and Sandrine 2018).

IMF insisted that international economic performance decreased dramatically from 4.1 % in 2011 to 2.4 % in 2013. This decline in domestic production has exacerbated the living conditions of the world poorest, as poverty rates have increased. According to World Bank 2013 1.2 billion people living on less than US$ 1.25 a day worldwide. More than two-thirds approximately 500 million of these live on an average daily revenue of 87 cents per capita in South Asia and Sub-Saharan Africa. This average daily income per capita reflects a substantial decrease compared to the 94 cents reported in 1981. Such rising rates of poverty have led many countries to search for economic policies to raise their gross domestic product level and thus achieve sustainable productivity growth, (Ouedraogo and Sandrine 2018).

The World Bank through its Africa Poverty report of 2017, hinted that poverty has been decreasing slowly from a high of 56 percent in 1990 to a low of 43 percent today in 2013. Despite, having a projected decrease in the poverty level in Africa still the population

continued to rise on an increasing pace. Due to this, the continent experienced in an increase number of the population living in an extreme poverty level, as the estimated figure was above 100 million people living in such situation. Furthermore, the report concluded that most of extreme poor people will be focused and based mostly in Africa compared to other places in the world. The deteriorating and slow growth economies among countries, through extreme poverty levels and poor living standard has been determinant factors among countries to look for different economic policies so as to increase nation's Gross Domestic Product (GDP) levels hence achieving country's growth and development of economies in a particular period of time. International trade being one of economic foresees to boost up economic growth among nations especially developing countries (Olayungbo., 2019).

Given the sheer globalization process and advanced technological innovations, International trade has become a necessary part of life. On that note, Nigeria which is Sub-Saharan country receives enormous portions of its national income from the export of crude oil and small scale agricultural products. Similarly, importing enables the country to meet domestic demand for mechanized and technological things for which it does not have the necessary resources. capacity and technical know-how produce, (Sulaiman, and Saad. 2009)

Development economists and policymakers alike have been interested in the role of international commerce in the development process. Selling goods and services are significant parts of international trade, and capital goods imports are especially vital for economic growth. This is due to the direct impact of imported capital goods on investment, which is the engine of economic expansion. Imports are projected to be affected by economic reform as part of the aim to rebalance the economy ((Muhammad, and Khan, 2019).

Several proponents of a protectionist, highly regulated economy in Nigeria have even criticized the previous Nigerian administration for signing the World Trade Organization pact, claiming that Nigeria was not sufficiently represented in the debates and that a better deal should be sought.

The following are the research questions which will this research paper seeks to examine. Is it true that inflation, exports, imports, and foreign direct investment all contribute to economic growth? What are the obstacles to Nigerian international trade?

- How will foreign direct investments impact on economic growth in Nigeria?
- How inflation can effect economic growth of Nigeria?
- What are the impact of the of exports and imports on economic growth in Nigeria?

The study will deploy a time series to identify the causal mechanism between trade and economic growth. This study will help further research on the effect of international trade in the economic growth of Nigeria. Studying the relation between export and economic performance would be very important in Nigeria. Therefore, more research and further empirical findings may be needed for our findings by contributing to and updating economic growth studies in Nigeria.

The study is separated into four chapters. The following has been formulated as the chapter plan. The first chapter is an introduction which will provide historical and concurrent debates about the subject, research question, problem statement and purpose of study. In chapter two, the literature review, using the relevant literature that shows how foreign trade is related to economic development. In chapter three, research methodology, which is combined variables of the model specification and data source and techniques that is used to select the analysis data. Data analysis and the empirical results of global trade on growth economy in Nigeria. The final chapter, conclusion, the major results of research objective and problem are underlined. Then, the methodological contributions and policy implications of this study are followed by directions for further researches and policy implications on Nigeria.

2. REVIEW OF LITERATURE

This section provides a genera review on the existing literature and research about the role of international trade on economic development in Nigeria. This literature review summarizes a diverse spectrum of views about export, investment and economic growth. The chapter is thus structured into conceptual framework and empirical review. This chapter explores the key effects on economic development of Nigeria by foreign trade. Several studies sought to accentuate the relationship between foreign trade and economic development. In recent years, there has been an increase in academic interest in international trade and economic development, especially in developing countries.

Hence, the developed countries in particular as seen by some literature, posits that the relationship between international trade in terms of exporting and importing on economic development is not the same among countries and looks to depend on domestic structure and policy choices. However, the focus of developing countries especially on west and sub Saharan countries, the export oriented countries have been seen to have much contribution to the rise in economic development compared to imports, and much exports are on agricultural produce rather than manufacturing exports. As this study is concerned the focus is shifted on the east African countries with the main focus on how international variables influence on the economic performance.

The literature review covers empirical results about international trade and economic growth. In this chapter, the concept of international trade in developing economies was discussed. The discussion about influences in economic growth can be considered as critical to the consideration of export and import. As discussed earlier in this chapter, foreign direct investment, as well as researchers, are concerned about how FDI stimuli and domestic investment influences are transformed into responses within the mind of economic development.

2.1 Economic growth

It is expected that the economy would continue to grow positively this year, despite the epidemic's waning effects and the installation of a new oil tax. Expanding economic

activity is expected to benefit from the government's efforts to improve infrastructure. High inflation, security concerns, China's slower-than-expected decline, and low vaccination rates are all factors that might have an impact on the prediction. The panelists of Focus Economics expect GDP growth of 2.8 percent in 2022 and 2.9 percent in 2023, which is an increase of 0.2 percentage points over the previous month's projections. Economic development would be boosted by more capital accumulation and technological innovation, according to Adam Smith (1776), who predicted that expanding markets would lead to more labor division and productivity. David Ricardo (1817), overseas markets may aid a nation's ability to focus its resources on goods or services with lower opportunity costs and better comparative advantage. Increasing prices and land constraints will eventually lead to lower profit margins, although they may assist delay that fall in profit margins, (Agbo, et al 2018).

The economy as a whole suffered a hit. In 2016, growth is predicted to be mediocre at best. The Nigerian government may be able to save money when crude oil and associated refined goods prices fall, as subsidies on PMS and other refined products may be diverted to more productive areas of the economy. The administration has gone a step further by eliminating kerosene product subsidies. There are now no subsidies on PMS, which should help government coffers in the future. The economy is predicted to increase by 3.78 percent in 2016, with output in the oil and non-oil sectors expected to slightly outperform 2015. In the short term, the Central Bank of Nigeria and the Federal and State governments are anticipated to help the non-oil industry through programs. The CBN's N300 billion-naira export stimulus fund is one of these measures. Increased efforts by state governments to increase internally produced revenue, along with more judicious and focused infrastructure spending, are anticipated to result in improved output performance, (Bloomberg Business, 2015).

During the CBN Monetary Policy Committee meeting on January 24-25, all policy settings remained unchanged. As a result, the monetary policy rate (MPR) was maintained at 11.50 percent, with an asymmetrical range of 100 basis points around the MPR. As a consequence, the cash reserve and liquidity ratios remained unchanged at 30.00 percent. Although the Christmas season generated an uptick in December, the Bank considered this

when reaching its decision. Looking at the financial situation, the Committee observed that the pandemic's long-term impact was slowing recovery. Based on new high-frequency data, the Bank of England expects economic growth to accelerate this year. It also includes the hawkish move by the central banks of the developed world. It did, however, point out that Nigeria's sluggish economic activity is linked to the country's high inflation rate. As a consequence, the Bank continues to consider that its current price and monetary stability policy is still desirable for growth, (Ejumudo, 2013).

2.2 International Trade and Economic Growth

Numerous studies explored the interconnection between international trade and growth. According to Chinoda (2020) used A panel of 30 African countries was utilized to determine if a long-term equilibrium relationship exists over the period 2004–2017 using granger causality tests and co-integration approaches. Economic growth and financial inclusion, as well as economic growth and African trade, have a one-way causal relationship, according to the research. The confluence of trade growth benefits from improved financial inclusion in the financial system. therefore, the study alluded that policy-makers should focus on growth-friendly policies to boost sustainable development and trade.

External/international trade, often refers to international business, is a phrase used to characterize all exchange of goods and services (private and government, sales, investments, logistics, and transportation) that take place between two or more countries, according to Emehelu, (2021). Typically, private businesses participate in such transactions for profit; governments engage in such deals for profit and political reasons. It refers to all business activities that include the exchange of commodities, services, or resources across national borders between two or more countries. International trade, often known as foreign or external trade, is described by (Adeleye, et al 2015) as business operations that take place between two or more countries. International trade takes place when goods and services are exchanged between two countries, (Adeleye et al 2015).

Shihab et al (2014) showed the existence of a causal relationship between export and productivity progress. Moreover, the causal link among export and economy was checked by Granger causality and the findings show that uniform causalities exist between productivity

growth and export in Jordan and the path of causality extends exclusively from economic growth to exports. In conclusion, this study supported Jordan's growth-driven exports. This means that efforts should be aimed at policies that improve economic growth, such as the industrialization and import substitution, in order to have a greater effect on exports.

Gokmenoglu, et al (2015) investigated foreign trade, financial progress and direction of causality between variable. Both factors are found to be non-stationary and the study supports long-term relationships between foreign and GDP. The results indicate that financial development and international trade drive Pakistan's productivity development, with the goal of identifying key factors affecting economic growth through trade and making policy suggestions. The OLS was to check the significant relationship between GDP as dependent variable and government 9 spending, FDI, exchange rate and interest rate. The result shows that interest rate, government spending, export and import are all positive.

Awokuse (2008) studied openness of trade, and the prior research has regularly focused on the export expansion's impact on economic development. This article examined the connection between economic development and trade in Argentina, Colombia, and Peru, with an emphasis on both imports and exports. GC test is used to examine whether more trade increases economic progress. The findings indicate that 6 previous research's focus on exports alone as a growth engine may have been deceiving. While there is some empirical evidence in favor of exported-led growth, the concept of import-led development has considerably stronger empirical support.

Yennu (2018) examined Ghana's international trade and economic growth comprehensively. The paper listed some of Ghana's fundamental benefits from foreign trade, such as faster GDP, enhancing product quality, reduced poverty, and promoting good governance. The paper also described some of Ghana's internal and external obstacles to foreign trade or globalization, such as lack of capacity, land acquisition problems and trade-related infrastructure, poor regulatory procedures as well as tariffs on agricultural products, Western countries' reluctance to abolish subsidies, administration and foreign exchange problems.

Tah, et al (2021) explores international trade effects on South African economy. The study uses cointegration test and error-correction model. Empirical evidence shows that international trade is a significant growth catalyst in both the short and long run. Evidence also shows that physical and human capital are important long-run growth catalysts. Accordingly, South Africa should have policies encouraging international trade to boost both short and long-term growth. Policies to improve South Africa's education system and physical infrastructure will continue for a long time to realize their anticipated economic benefits.

Abbas (2012) this research explores the causal relationship between export and GDP between 1975 and 2010. The purpose of this research is to assess the affectivity of Pakistan's export promotion program in the 1990s. To determine short and long-term causality, the Granger Causality and Johansen Co-integration tests were performed. The result of counteraction shows that there is a positive co-integration equation. The outcome of the Causality test shows that GDP exports have a short and long-term causality. The result suggests that short and long-term production growth alone contributes to export growth. The government will seek to develop a side of production that improves trade and the economy in the long term.

Gyimah-Brempong, and Baah-Boateng, (2021). studied in Sub-Saharan Africa on export volatility and economic development. The study examined the correlation between GDP and export volatility between 1960 and 1986 with data from 34 countries in Sub-Sahara Africa and an equation of neoclassical growth. The test method included estimating the neoclassical growth equation and export growth and volatility as additional explicative variables. This negative impact is however not dependent on the export instability metrics used and does not rely on the overall GNP or GNP net export rate increase. Using a neoclassic model of growth, it is possible to isolate the effect of export fluctuations on growth rates after certain variables. The results of this article advanced policy suggestions for sub-Saharan African states and other LDCs, especially in developing and implementing liberal policies that are able to combat the effects of fluctuation. Although the policy recommendations of

cross-border studies are generally problematic, it is hoped that this article would explain the debate between export volatility and economic growth in the LDCs.

Gnangnon (2018) observed multilateral trade liberalization and economic development investigated. In recent years, there has been a strong public reaction to trade worldwide. It could contribute to the strong demand for trade protectionism and a reduction in multilateral cooperation and a postponement of further liberalization of domestic and foreign trade. This research also presented a range of unbalanced data panels across 150 countries for the period from 1995 to 2015, in order to determine the effect on the pace of economic growth of multilateral trade liberalization. The results show that multilateral trade and economic liberalization has a valuable positive influence both in whole samples and in sub-samples on economic development.

Olayungbo (2019) observed impact of oil exportation in Nigeria on economic growth: time dependent resource curse research the study examined the impact of oil revenues on economic development by using in Nigeria to test the hypothesis of the resource flow. The tests gave new insights into Nigeria's oil curse. Oil exports are therefore shown to contribute positively and substantially to sustainable productivity growth throughout the entire study period, using the annual data from 1970 to 2015. The economies of Nigeria are empirically viewed as resource-dependent. In addition, it was found that while enormous oil revenues were produced over the course of a sample period, unfavorable accessibility and poor education quality were possible channels for slow growth in Nigeria. For growth in the sampling country the channeling of revenues from oil exports with more human and industrial fields is significant. Finally, guidelines on sustainable development in Nigeria for the formation. It is suggested that sound education and trade policy should be enforced and engaged.

Ouedraogo and Sandrine (2018) investigated Pro-Cyclical Sub-Saharan African countries' monetary strategy, the export concentration position. Sub-Saharan African exports tend to be dominated by the main commodities, and their production and export base must be diversified urgently. The impact of export concentration on fiscal pro-cyclicality in Sub-Saharan Africa is examined in this research. Import concentration limits the government's

revenue streams and fiscal flexibility. By choosing 40 nations from 1995 to 2015 and based on public expenditure activities, the article found that export concentration enhanced the degree of pro-cyclicality in fiscal policy. The findings highlight the need of diversifying exports to improve government revenue and open the way for counter-cyclical public investment that can promote long-term growth.

Fatemah and Qayyuma (2018) modeling the effect of exports on Pakistan's economic development. This study was an empirical review of Pakistan's (1971-2016) the growth hypothesis based on export uses a co-integration analysis and a functional error correction process. The document shows that exports are significant factors in Pakistan’s economy and the study also showed that exports are importation of Pakistan’s long-term and short-term, cost and domestic credit in the private sector.

Hamdan (2016) the effects of imports and export were examined in Arab countries on economic development between 1995 and 2013, and the research has used data panel approaches in 17 countries. The study proposed using a substantial measure to quantify the output and performance of the work item in order to achieve a certain level of production in the production process. Technology imports need to be expanded so as to increase labor productivity, so that economic development can be encouraged directly and living standards in Arab countries increased.

2.3 Foreign Investment

Foreign direct investment is a type of cross-border investment made by a resident entity in one economy the direct investor with the goal of acquiring a long-term interest in a foreign-based company the direct investment enterprise. To be effective, direct investment must be sustained over a long period of time and the direct investor's influence on the firm's management must be significant, (Michałowski, 2012).

The describe FDI in terms of long-term investment by a country in another country that includes management and joint ventures as well as technology transfer and expert knowledge. Two forms of FDI are distinguished: inward and outbound FDI (Damooei and

Tavakoli, 2006). It might be either positive or negative. As an FDI, the parent business must own at least 10% of its abroad affiliates' common stock (Sharma and Gani 2004).

Through the influence of FDI on export expansion or the impact of export expansion on investment via creation of linked services overseas and a liberalized trade policy framework, FDI and trade are interconnected. These two notions may be perplexing in this case since they imply either a substitutive or complementary effect. FDI and trade. According Mundell (1957), can be utilized to decide output and boost investment, as demonstrated. For their part, Aizenman and Noy (2006) discovered that the growth of FDI inflows affects international commerce and that even the sheer existence of FDI can improve host country trade.

Because foreign direct investment has the ability to improve productivity, competitiveness and entrepreneurship while also eradicating poverty via economic growth and development, it is extremely vital. Many nations, particularly developing ones, are in a race to lower their tax rates and provide other incentives to entice foreign investment. A worldwide increase in FDI flow has been attributed to "FDI-friendlier" policies that have been in place since the late 1990s. There has been a dramatic rise from just over $3 billion in 1990 to more than $46 billion 2018 in the amount of FDI coming to Africa, (Immurana, 2021).

When it comes to emerging countries, FDI is crucial. The FDI-growth link has been extensively studied by researchers over the last several decades. It has been verified by (Tahir et al, 2019) that foreign direct investment (FDI) has a favorable impact on economic growth. Inflows of foreign direct investment (FDI) are a key driver of economic development since they allow for the transfer of technology and the improvement of labor force capabilities.

According to Asiedu, (2001), foreign direct investment (FDI) has recently become more significant to the Sub-Saharan African region. The increasing popularity of foreign direct investment (FDI) may be linked to a variety of advantages that have been studied and proven effective for quite some time (Obwona, 2004). Several African governments are actively attempting to improve their business environments in the hopes of luring in more direct international investment.

African governments' attempts to attract foreign direct investment (FDI) seem to have been ineffective. All of this is taking place despite the fact that FDI is clearly needed on the continent. Unsettling trends are emerging, giving these nations little reason to be optimistic about their own economic futures. Natural resources have been linked to the disparity in FDI inflows into sub-Saharan African nations, while the size of local markets may also be an important factor (Asiedu, 2001).

Changes in technology transfer, human capital development, and economic openness, among other variables, have helped to reshape the country's image, according to (De Brabandere et al 2021). Increased attempts to attract more foreign direct investment (FDI) are justified because of the assumption that FDI has various good consequences, according to Denisia, (2010). A wide range of benefits may be attributed to the transfer of technology, the introduction of new processes and management skills and knowledge in the home market, employee training, international production networks, and access to markets throughout the world, among others.

Governments have often offered special incentives to foreign enterprises looking to establish operations in their country based on these claims. To encourage international investment, governments often give specific incentives based on the notion that foreign investment generates externalities, such as technology transfers and spillovers, that are beneficial to local economies. As part of the discussion on the value of foreign direct investment, De Gregorio (2003) points out that FDI may help a nation to bring in technology and expertise that are not easily accessible to local investors, which in turn improves productivity growth across the economy FDI may also bring in skills that the nation does not have, and foreign investors may have access to global markets.

Foreign direct investment (FDI) may be advantageous in the short term, but it will not be sustainable in the long run. According to Durham (2004), the "absorptive capacity" of host nations is the most important aspect in determining whether foreign direct investment (FDI) has a beneficial impact on economic growth. Phillips et al. (2001) reached the following conclusions: Foreign direct investment has a positive but negligible influence on economic development; macroeconomic and political stability are major drivers of foreign

direct investment; macroeconomic and political stability are essential factors of foreign direct investment.

Foreign direct investment (FDI) is a major driver of the country's economic development since it boosts local enterprises' productivity. These impacts may be brought about by the formation of customer/supplier ties between foreign and local enterprises, by greater rivalry, by imitations, or by the transfer of labor between foreign and domestic firms. Good institutions, by decreasing information asymmetries, effectively distribute knowledge to market players, allowing them to take use of the market's possibilities more effectively. FDI's spillover benefits are facilitated by the decrease of information asymmetries produced by quality institutions (Jude and Levieuge, 2016).

The majority of Africa's history has been dominated by the continent's continual social and economic underdevelopment. This has steadily deteriorated over the course of the last several decades. As a member of this group of nations, Nigeria has a number of issues, some of which include severe poverty, high unemployment, a failing infrastructure, enormous budget deficits, and severely poor economic progress. (Ghura et al, 1993) Previous global economic crises, such as the one that occurred in 2008, in which unemployment levels were very high and economic growth went negative, have been responsible for exacerbating chronic cycles of poverty. During this particular crisis, economic growth became negative. Even in the realm of academia, a great deal of attention has been paid to the question of how to curb unemployment and foster more economic growth. Recent discussions have centered on the contentious issue of foreign direct investment, sometimes known as FDI. Numerous scholarly investigations have been carried out to study the function that foreign direct investment plays in reducing unemployment and fostering economic growth. Policymakers in Sub-Saharan Africa have been entrusted with revitalizing the region's economic potential, and they are largely reliant on foreign direct investment (FDI) in order to achieve this goal; Radosevic, et al (2003). It has been shown that direct investment from other countries may drive economic growth in the host countries where it is invested, in addition to increasing private investment, the number of jobs created, and the transfer of technological expertise.

Nigeria, like many other developing countries, has set itself the goal of increasing its GDP by determining the most efficient and effective methods of increasing production. Because of this, discussing Nigeria economic growth has proven to be challenging. The moderate year-round temperatures of Nigeria, along with the country's abundant natural resources and fertile land, make it an excellent location for agricultural endeavors. The imbalanced nature of the global trade environment, which favors countries that have already achieved a certain level of industrialization, puts Nigeria at a disadvantage because it is almost exclusively dependent on the export of basic products, which have lower price. This puts Nigeria on the wrong end of an unbalanced trading climate, (Idris, and Suleiman, 2019).

Many African countries have erected barriers to international immigration as a direct result of these historical and political impediments. When the Africans realized that they had to take control of the economy, they did so. This attitude continues to influence worldwide investment today. Recent investment from East Asian (Brautigam, 2010) investors may have contributed to the persistence of some of these concerns, but not all of them.

For example, the creation of parastatals, strict regulation, and even nationalization or expropriation were claimed to justify the government's involvement in the economy (Kobrin, 2005). However, despite the fact that these restrictions impacted both domestic and international enterprises, many of the largest exporting companies were owned and operated by foreigners, and the intervention was intended at them. particularly Formerly nationalized enterprises such as Ghana's Ashanti Goldfield, which was nationalized in the 1960s, and Tanzania Cigarette Company, which was privatized in the mid-1990s, are now owned by a foreign country (although governments retain substantial minority stakes in each). It is still possible to be expropriated. However, governments have tended to play an active role in the economy even when privatization has been strongly pursued, according to the following study.

The government intervenes to transfer ownership of enterprises from foreigners (or indigenous minorities) to indigenous peoples, which has been and continues to be a deliberate strategy in Africa, (Aburime, 2009). Extensive and violent expropriation was employed to accomplish this purpose. In certain nations, like as Kenya and Zambia, the transfer of

indigenous ownership is less violent. Numerous components of these laws continue to be employed to boost local ownership today, such as legal discrimination, awarding bids, or set-asides and discounts for local ownership (Craig, 2002).

Undesirable de jure impediments to international economic cooperation also exist Recent years have seen a remarkable decrease in the number of obvious legal bans against foreigners as economic reform and liberalization have been enacted. Overwhelmingly, most African stock markets prevent non-resident foreigners from owning considerable quantities of equities (Moss, et al 2003). A company's stock price can be directly affected by foreign direct investment (FDI) if it invests more than 10 percent, which may encourage it to avoid listing on the local exchange.

Many African governments continue to limit foreign investment in specific industries, such as mining and agriculture. However, because parastatal monopolies and liberalization are sometimes related, the two have often occurred together. Only Tanzania has permitted international banks to operate lawfully since the early 1990s. It is still illegal for foreigners to do business in Ghana's commercial and service industries, even though economic liberalization began in the country two decades ago, (Aburime, 2009).

Numerous African countries and NGOs are consequently opposed to changes that try to standardize national treatment and limit the ability to set unique criteria, such as requiring local employment, local cooperation and locally sourced inputs in the production process (Graham, 2004). An investment treaty with the World Trade Organization, on the other hand, would put these projects at danger by limiting host countries' power to regulate on behalf of the poor " Despite the trend toward investment liberalization and privatization across much of Africa, several governments continue to have strong legal prejudices against international investment.

Other de facto barriers to FDI include the business climate. A number of African countries have attracted foreign direct investment (FDI) due to changes in the business environment and deliberate image enhancement tactics, as demonstrated by Moreira (2008). While most African governments have made considerable economic reforms, Asiedu, (2006). states that FDI in Africa has declined in large part due to the fact that policy

environment changes have been restricted compared to reforms elsewhere. Partial reform syndrome has a long history in Africa and many reforms are implemented only partially (van de Walle, 2001).

Developing countries have long sought to attract foreign direct investment to their continent. Due to the fact that foreign direct investment is expected to drive economic growth, it is vital to Africa's economic development Specifically, it has the ability to overcome the continent's savings gap and skills and technology deficit. This means that foreign direct investment (FDI) is more than just a flow of financial resources; it also involves a large quantity of administrative and technological skills that can increase productivity The continent must, therefore, take aggressive measures to encourage FDI. Since their independence, most African countries have enacted policies with substantial incentive packages to attract foreign direct investment, (Ngwakwe and Dzomonda, 2018). It is believed that foreign investments have externalities such as technology transfer and spillovers, which is why they are attractive to investors. There is the potential for enormous spillover effects throughout the economy when technology is transferred, (Adams, 2009). Structural Adjustment Program planners believed that boosting FDI was crucial for sustained economic recovery after 1980's debt crisis and commercial bank lending cessation. A competent macroeconomic policy and expedited liberalization, deregulation and privatization will attract foreign direct investment to Africa, (Morisset, 2000).

It is widely accepted that both neoclassical growth theory and exogenously growth theory can explain the role of FDI in economic growth. The neoclassical theory assumes that short-term economic growth may be accomplished with the aid of labor, capital and technology. Economic growth may be accomplished in the near term with the right mix or modification of the three-factor inputs. Under the neoclassical concept, long-term economic growth may be fostered by variables such as technical advancement and an increase in the work force. The neoclassical conceptual framework, according to Brinkman (1995), states that technical improvement, capital accumulation, and appropriate application all contribute to economic growth. The law of diminishing returns says that capital helps the economy grow faster in the short term, but this effect doesn't last over longer periods of time. Since capital accumulation and utilization drives economic development in the short-term, it has no long-

term impact on economic growth, particularly in the long run, as more capital is acquired. Economic growth is boosted by FDI in the short term, but it has minimal impact in the long run, according to Solow (1957). This term implies FDI has a short-term influence on the economy. The neoclassical model of economic development does not adequately account for the role of technology in promoting economic growth. Thus, endogenous growth theories, which clearly depict the role of technology in supporting economic expansion.

In light of the expanding significance of foreign direct investment (FDI) as a channel for supplementary domestic investment in the service of promoting global economic development, it is essential to keep a close eye on the connection between FDI and economic expansion. Batten and Vo (2009) used GMM to make the discovery that foreign direct investment has a stronger positive link with economic growth in nations that have higher levels of education, openness to international commerce, and development of stock markets than it does in nations that have lower levels of education, limited international trade, and a low degree of stock market development. Increased levels of education, trade openness, and stock market activity all contribute to FDI's favorable influence on economic development. According to Iamsiraroj and Ulubaşlu (2015), the most essential indicators for growth are openness to commerce and financial development, rather than education. FDI contributes favorably to the promotion of economic growth.

Foreign direct investment's (FDI) effect on economic growth is very diverse, depending not only on the country of origin but also on the characteristics of the host nation, such as the stability of its financial system and its degree of openness to trade. Even while there is universal agreement that trade openness and the development of the financial sector are major factors for FDI growth, there is a lack of clarity about how important it is for nations that attract foreign direct investment to have high levels of education. Gui-Diby (2016) adopts a feasible ordinary least squares approach to assess the impact of foreign direct investment (FDI) on yearly panel data for 50 African nations from 1980 to 2009. This data ranges from 1980 to 2009. Foreign direct investment (FDI) inflows have a major impact on economic growth, according to the author. Although Herzer (2010) revealed that on average, FDI has a negative influence on economic development in developing countries, but that the impact of FDI on economic growth varies greatly from country to country. A comparison of

aggregate data with studies concentrating on individual nations and industries shows that foreign direct investment has a positive economic effect. Foreign direct investment (FDI) has little impact on African economies, according to Awolusi and Adeyeye(2016) using GMM and basic least squares calculations. There was also an investigation of how FDI, productivity, and the lack of technological advancement in Africa's economy by Malikane and Chitambara (2017) Fixed-effects and two-step system GMM approaches found that FDI had a positive but small impact on productivity growth. This was how things stood. Inflows of foreign direct investment (FDI) on the growth of African economies are not entirely obvious, according to recent study (Malikane and Chitambara 2017). A number of studies have shown a high link between economic growth and foreign direct investment (FDI), whereas others have found no correlation at all, even after accounting for the features that are often considered to be conditioning variables. The relationship between FDI and economic growth in Sub-Saharan Africa must be examined. Foreign direct investment, as revealed by Ndambendia and Njoupouognigni (2010), is a critical driver of economic growth in Sub-Saharan Africa (SSA). Sub-Saharan Africa is referred to as "SSA" (FDI). Globalization can only be achieved with increased inflows of FDI, (Chege 2015).

Doku et al. (2017) conducted research in which they investigated the effect that Chinese foreign direct investment had on the economic growth of 20 different African countries. In order to reach their results, the researchers used panel data that spanned the years 2003 to 2012. According to findings using panel least squares regression and Granger causality tests, the stock of foreign direct investment (FDI) held by China in Africa has a considerable influence on GDP growth in Africa. According to their study, there is a causal link between the growth of African GDP and China's foreign direct investment (FDI), both in the short term and in the long run.

Some analyses have looked into the relationship between economic growth and export, which is an important part of global trade. Export has a positive impact on economic development, according to the majority of studies (Ullah et al., 2009). While trade-driven progress has been slowly focused, the causation direction remains a topic of debate. As a result of learning, imaginative modernizations, encounters, and innovation assignment through FDI in a developing economy, certain contemporary attempts may suffer dramatic

changes. It is feasible to achieve development in these circumstances, even if there is no administration policy that aims to achieve progress by promoting streamlined trade arrangements. If local demand does not keep up with output growth in these successful industries, manufacturers can export surpluses.

Tchamyou et al (2019) investigated Sub-Saharan Africa FDI, Information Technologies and Economic development Dynamics. ICT is calculated by smartphone and internet penetration. The study found that both internet penetration and mobile telephone penetration have largely modulated FDI to have positive net effects on all three dimensions of economic development. In addition, the positive net impacts of internet-centric regressions on cell phone specifications are much more apparent.

Adom et al (2019) investigated the nexus between energy and FDI within the context of Africa. The authors observed the connection the energy demand and FDIs in Africa, using simultaneous common moment's estimator and panel data collected between 2000 and 2014 by 27 countries in Africa including efficiency of technology absorption, development rate and stage, and cost adaptation. Specific experimental approaches, such as adjusting sets of samples and applying different estimators to different hypotheses, have verified the strength of the hypothesized relationship. This suggests that FDI-related experiences with learning and imitation lead to dichotomous paths in achieving FDI energy-saving advantages.

Muhammad and Khan (2019) examined the factors that stimulate Asian countries' economic development, with a focus on the often abandoned bilateral FDI, power consumption, and a capital of the economy. The study included the generalized timing method, estimators using transnational data for the period 2001-2012. the Empirical findings of the paper shows that FDI, and resources plays a vital role in economic growth in Asia. It proposed better policies for electricity use, renewable energy usage and the use of suitable and new energy technologies in the Asian countries, and move into their countries and expand in other economies as economic growth rises as a result, both of FDI influxes and outflows, electricity consumption, and capital inflows increase.

Bakari and Mohamed Mabroukib (2018) six connections between FDI, exports, domestic investment, imports and labor and economic growth have been investigated, the

Nigeria New Empirical and Policy Review. The aim of these studies was a search for six relations, using a vector correction model for period 19 exports, FDI, imports, labor, domestic investment and development in Nigeria. Empirical findings showed that the six variables had no long-term relationship. Import causes economic development and domestic investment in the short term; exports and FDI create jobs; and FDI creates labor. Such studies highlight Nigeria's precarious condition, which calls for urgent economic reforms.

FDI inflows and their effects on economic growth are not a new phenomenon, this relationship has been discussed extensively over the past two decades. Balasubramanyam, et al (1996) observed it contributes therefore to economic growth by The theoretical basis for FDI and growth empirical work comes either from the neoclassical model of growth or from endogenous models of development. FDI improves productivity and/or output in neoclassical growth models, Transitional growth increases, leading to long-term impacts and medium-term growth. Long-term growth is dictated by technological innovation and provides a mechanism by which FDI can continuously increase host economy development by transferring technology, distribution and spill-off effects.

Borensztein, et al (1998) developed growth model, in which FDI induces long-term growth because of its effect on the technological rate spread from the developed world in the host nation. The study used seemingly unrelated SUR regression in 69 developed countries with instrumental variable estimates for panel data analyses over two separate periods of time 1970-79 and 1980-89 with contingent.

To identify the importance of country-specific characteristics on FDI led growth, Zhang (2001) empirical study has been carried out using data for 11 Eastern Asian and Latin American economies. The paper found that the relationship between FDI and economic development to be positive, concluding that the strength of this relationship depended in particular on host country conditions for improving education and hence the state of human resources, and preserving macroeconomic stability and implementing a liberalized trade regime. Bengoa and Sanchez-robles (2003) analyzed and reached the same conclusion panel data from 18 Latin American countries. Although the papers focus on specific country conditions, they are still limited to a small sample size. Alfaro, et al (2004) discussed that the

advantages of FDI differ across sectors and negative incidences of FDI on the primary sector and that their effect on manufacturing and services respectively is positive and ambiguous. As a result, FDI targeting the primary sector, particularly in oil exported countries, did not view the host country as being human capital thresholds or even politically stable as long as more profit is repatriated by multinational companies, which is occurring in many developing countries.

Jilenga, (2016) observed the effect of FDI on Tanzania's economy and dynamic GDP, FDI, free trade, inflation and government spending on Tanzania were analyzed over the period 1975-2013. In Tanzania there is an influx of FDIs, but their contribution to GDP growth and human development is marginal, and FDI's attractiveness such as reductions in taxes is a hot debate.

Brenner (2014) studied foreign direct investments (FDI) through GMM panel regressions and identified impacts on productivity development, capital and labor inputs as well as innovation activities. Moreover, less and more developing countries are being analyzed separately along with the periods 1974-1991 and 1992-2009. FDI's effects on production capacity for the first time in more developed countries, while impacts on innovation activities era are established. GMM regressions are very negative in less developed countries for four different dependent variables and six different sub-sets of observations. The findings show clearly that economic is negatively already achieved and that economic growth is positively dependent on rises in capital production.

Kunle and Oluwafolakemi (2014) investigated effect on Nigeria's economic growth of foreign direct investment during the period 1999-2013 The results show that growth is related to direct foreign investment inflows, which is statistically important at 5 per cent levels, suggesting that good economic output is a relation for FDI inflows. On that note, the FDI is a driving force for economic growth. In order to encourage investors, this paper suggested that the government liberalize Nigeria's foreign market, thus removing any trade barriers.

The author found that there were more effects from growth to FDI that would lead to more FDI in countries with prosperous economic development. To look at how flows of FDI

are driven by host economic growth, the two types of FDI are not distinguished by their motives. Market-seeking FDIs are driven by a multinational in various countries as low cost labor through host countries, as well as by human capital and infrastructure conditions. The unidirectional result of growth to FDI based on the market that seeks FDI motives may be true, although the paper lacks theoretical basis. To overcome the limitation, Li and Liu (2005) examined whether FDI economic development was based in a panel of 84 countries with single equation techniques and a simultaneous method of equation to detect the endogenous issue. The paper merged and used the UN and World Bank data world investment directories.

The study also used schooling, technology gap and infrastructure as an interaction concept and found that FDI promotes economic development not directly by itself, but indirectly through its terms. Johnson (2006) using panel and cross-sectional data from 90 countries, FDI concluded that economic growth in developing countries is growing because of technology spill overs, not in developed economies. The study also explored the impact of FDI in primary production and service industries on economic development.

Starting from Harrison (1994) FDI's effect on economic growth or their relationship has been addressed empirically and scientifically, but no agreement is reached on its relationship, due to the contrary data set and calculation used in empirical research and the numerous theoretical frameworks used in literature. The variations in the findings analyzed indicate the significance of different regional studies. To understand the role of absorbent capital in an intuitive manner on the basis of previous articles, the next section will concentrate on FDI absorption capacity and the selection of the financial functioning.

2.4 Exports and Imports

Exports and imports may have a significant impact in economic growth, according to certain theoretical models. The majority of theoretical and empirical research focuses on the interplay between export and growth, import and growth, or the interrelationship between export and import and economic growth, respectively. In terms of the fact that exports require businesses to continuously pursue new avenues of innovation and development in order to protect their market dominance, they are also seen as a driving force behind economic and social advancement. The decision to export will result in an increase in both sales and profits.

The second possibility is that they will limit their dependency of domestic markets by extending into foreign markets. In this scenario, the customer base will grow, but the number of local customers would decrease to some degree. To put it another way, exports may lessen the impact of market volatility, which is important for businesses to consider as they grow more reliant on changing economic conditions, the preferences of their customers, and the cyclical ups and downs of the local economy. Last but not least, the advantages of exporting may be summed up as follows: An increase in exports results in a greater availability of foreign money, which in turn results in an increase in the state's national revenue, turnover, and surpluses. (Bakari et al 2017).

Because of this, the quality of living in the country has improved. Despite these advantages for exports, there are occasions when they don't provide these outcomes and don't contribute to the country's economic progress. There are a variety of causes for this, such as increased competition, items that are unpopular or popular in other nations' marketplaces, war or civil turmoil in the target country, inadequate media coverage and description of the exported product, or other factors of a similar kind. Often, when a country relies heavily on imports, it shows that it cannot meet its own needs and is thus vulnerable to the whims of other countries. In contrast to exports, which result in a better trade balance and the return of the country's native currency, imports have the opposite effect. But in other cases and under some conditions, it is seen as the main driver of economic development. Hardware and electrical equipment that contributes to the investment's growth, or items that demand a higher manufacturing value than what is imported are two examples of situations where this may be the case. Since export and import may have a significant influence on social and economic development, the question remains a sensitive one because of these reasons, (Bakari et al 2017).

Nigeria is also categorized as an import dependent country, which imports a lot of items, most of which is claimed does not contribute to its GDP; some of this items are finished goods such as cloths and fruits juice. There are also claims of damages to domestic industries, which result from importation of inferior like domestic products which have low

price leading to the neglect of local products thereby reducing the output level of such industries contribution to GDP.

The expansion of a nation's access to a wider market for its goods as a result of increased international trade flows is a benefit to the nation's manufacturing sector and, by extension, the economy as a whole. This is what is meant by exports. It is often believed that smaller domestic markets will not continue to develop forever, and that any positive economic shock that results in the expansion of the domestic market would most likely disappear more quickly than it would in bigger markets. Because of this, economies of scale may be used in large worldwide markets that do not have any constraints on their potential for expansion (Bbaale and Mutenyo, 2011).

The link between exports and economic development has been extensively studied using time series methods in a number of nations. Despite all the data, there is no agreement on the direction of causation between these two series, despite the evidence. Researchers and academics alike disagree on the exact nature of the link between exports and economic development. The export-led-growth hypothesis asserts that export growth precedes economic growth, while the growth-led-export hypothesis asserts that economic growth is a function of international trade flows, in which goods produced in one country are shipped to another country for resale or trade. Both hypotheses have evidence to back them up. Described exports as a driving force for economic expansion. Also, the author pointed out that tiny nations with limited natural resources are more likely to benefit from specialization in exports, which may help them build their economies faster, (Musinguzi, et al. 2019).

Ojo et al (2014) highlighted on country’s economic growth as a process from which the country’s income per capita increases in long term. He further added that, growth of the economy is influenced by country’s increase in the production capacity and exportation among countries. Export is one of major catalyst towards growth of export markets among countries as it creates available markets for domestic production (Thirlwa, 2000).

Furthermore, Thirlwa (2000) added that, increasing returns are positively related to capital accumulation. In a country with presence of no trade, existence of greater investment

in highly developed capital equipment's is paramount; hence specialization is influenced by the presence of market size. But in case a poor country decides to trade there would be a greater chance for industrialization and help in getting away from local ways of making production. It is reckoned that over 60 nations are categorized as developing in the world from which 31 are African countries and are occupied with the population of less than 15 million. In absence of markets for exports, production of many goods in this continent would never be economically feasible. Thus, exports play a larger part in influencing growth countries' economies, since it drives domestic production of goods and services compared to importation, however still most of developing nations are thriving in terms of lower quality products in comparison to developed countries.

Theoretically it has been revealed how exports influencing economic growth of any country, through fostering of domestic production over imports. Emery (1967) as the author identified the impact of exports in two categories of primary and secondary effects. Firstly, increased capability to buy imported goods out of earnings provided from exportation, this means that exports allow nations to take advantage of the international division of labour to buy imported goods using lower sources of labour and capital than would instead be required, in some situations where purchase of goods is done when they are not domestically available. Secondly, domestic productivity in a country would increase when exports rises, as a result country's economies would specialize in sectors where they enjoy a comparative advantage over others. Thirdly, increase of exports allowing them to benefit from the advantages of economies of scale.

Similarly, Krueger (1998) added that the benefits of market expansion can be more pronounced in developing nations because of dominant lower domestic incomes. Fourthly, as countries are getting exposed to the international market through international trade, efficiency in the domestic firms is being manifested in order to compete in the world markets. Lastly, as a result of exports in country, there will be a corresponding increase in employment to countries with surplus labour. On the other hand, Emery (1967) highlighted secondary benefits arising from exports in a country including increased investment in export industries as well as supporting industries linked to export industries. As long as exports increase, it

promotes growth of technological and market innovations which results in production improvement and efficiency over a long period of time in a country. Further, there would be an increase in consumption which would be caused by an increase in trade between countries.

Hence, as the study is concerned, economic growth is considered as a biggest output a country could gain as a result of massive exportations in other countries since domestic investments would be manifested hence resulting to an increase in country's per capita income and many other associated macro-economic benefits.

Historically Waterways such as creeks and rivers have traditionally been used as the primary mode of transportation. The Niger and Benue rivers, which are the most important waterways in the country, were dredged in the 1990s to keep them from drying up, but they still carry a significant amount of cargo. In order to transport goods from Calabar to the port, the Cross River is used; however, it is impassable during the dry season, as is the case with other Nigerian rivers. Thousands of passenger and cargo boats ply the lagoons and creeks along the Nigerian coastline, from Lagos to the Cross River. The Nigerian Ports Authority is responsible for the administration of the Delta Ports (near Warri), Calabar Port, and Port Harcourt, which are the country's primary international seaports. Both the Lagos port complex (which includes the Apapa port) and the Tin Can Island port complex (which is adjacent to the Lagos port complex) are important. The most important ports for petroleum shipments are listed below. are Bonny and Burutu, (Najabat, 2017).

Numerous published research focused on examining the role of exportation and importation influence of international trade (import and export) of country's economy while few studies dealing with trade openness, export and imports in influencing economic development. Furthermore, most of the studies adopted data and analyzed Furthermore, he added that since exports were positively correlated with economic development, thus he suggested that the country should continue with its export led economic strategies including. On top of that, a country was urged to reduce importation of consumer goods while favoring importation of capital goods which will boost domestic investments hence promoting more exports of produced goods. in Africa. Thus, this part focuses on the studies done for most of developed and developing nations including African continent. Similarly, a study on the trade

development was carried among regional integrations in Africa, (Adeleye et al 2015), commented on the interesting liberal economy situation of West Africa as it is an area with greater proportion of greater output being determined from international trade thus international trade is performing with an increasing pace. A study by (Abubakar 2020) which focused on 16 out of 17 west African countries. The researcher through the use of panel data based the range 1991 to 2011, concluded that export maintains a positive role on economy while imports have a positive but insignificant influence with economic growth which was measured through GDP.

The study further added that since exports are since to be contributing positively to the national Gross Domestic Product, then western African countries should endeavor on increasing domestic production to promote high exportations and substitute importations with various results (Bairam, 1988). Thus, the focus should not only be in West African countries as a regional integration but the study aims to seek the influence of international trade on the East African countries as a regional integration comprised of only five countries.

The focus of African continent in examining the influence of international trade on economic development has been taking a larger pace as many researchers are engaging in finding the results. Songwe and Winkler (2012) examined the same phenomena on the influence of export those products compared to imports. Despite, showing a positive relationship of exports in economic growth still countries have to put strategies on ensuring maximum productivity for longer capability of exporting more compared to imports.

Oyebanjo (2017) examined the impact on 18 sub-Saharan countries suing a panel data for a period ranging from 1996 – 2015, the study later showed that exports and imports contributed significantly to economic development. Growth of raw materials exports rather than manufactured exports were significantly associated with growth of country's GDP while growth of manufactured imports was rather than raw materials imports were significantly related to country's GDP. It is thus, revealed that in most of African countries exports are seen to have positive influence with economic growth of nations, however the agricultural products are more exported compared to manufacturing goods since most of African countries depend on agriculture as the backbone of their economies.

Sheridan (2014) explored 117 countries through a panel data and the use of multiple regression, enabled him to conclude that, manufacturing exports were more impact to economic performance than primary exports with a perquisite of a country having attained human capital. Hence, he added that for a country to foster manufacturing exports, necessary skilled workforce should be efficiently utilized.

On the other side, with the focus of studies conducted in both situations of developed and developing nations, Anwer and Sampath (2000) determined the relationship between exports and economic development for 96 nations which involved both countries in a developed world and countries from developing world for a period ranging from 1960 – 1992. The findings revealed that most of countries did not reveal a relationship between exports and economic development,

2.5 The Relationship Between Inflation and Economic Growth

Many distinct schools of thought have been formed throughout the years on the relationship between inflation and economic growth. The structuralist position is one of the most prominent advocates of the positive link between inflation and economic growth. For effective economic mobilization, this school of thinking recommends a modest level of inflation. According to this theory, a rise in prices due to inflation lowers real wages and tends to raise profits when wages are lagging behind. In such a scenario, income is shifted from economic units that have a lower inclination to save to those with a higher propensity to do so. Governments can generate funds for development because citizens are obliged to save (Doguwa, 2013; Enejoh and Tsauni, 2017; Mankiw, 2010). Increases in price spur structural shifts by employees from the old subsistence sector to a more increasing industrialized one, allowing for a more optimum and complete application of economic resources, which is one of the benefits of inflation to growth (Dewett and Navalur, 2010).

Despite the claim that some inflation is good for the economy, most studies show that inflation is bad for business (Kasidi and Mwakanemela, 2015; Manoel, 2010; Mkhatshwa, et al 2015). As a result, they argue, inflation should be limited to no more than a single digit percent. Monetarists and Keynesians believe that inflation has serious contagious effects because it discourages domestic production and creates an environment that is favorable for

foreign goods to compete with the domestic market, encourages a deficit balance in international payment transactions, uncertainty in the profitability of future investment projects, redistributes income haphazardly, and reduces the purchasing power of monetarily (Al-Taeshi, 2016; Chude and Chude, 2015; Eggoh and Muhammad, 2014; Olu and Idih, 2015).

The interest rate was included as an additional variable in addition to the primary interest variable (inflation rate). A high interest rate diminishes economic production and limits investors' ability to borrow, which in turn has a negative impact on the economy as a whole. Liquid cash's buying power decreases when interest rates rise, and investors avoid making investment choices. In addition, the currency rate was added since it has a direct impact on the country's inflation rate. There are several ways to stimulate domestic output and private sector investment via currency depreciation or devaluation, which in turn may lead to more exports and a better overall balance of payments (Idris and Suleiman, 2019). It was also necessary to provide information on the present state of the money supply, since this is based on the belief that an increase in money supply leads to an increase in inflation (Rousseau and Wachtel, 2002; Shuaib, et al 2015). Trade openness and government consumption expenditures are two more factors.

An overview of empirical studies relating to inflation and economic growth is provided here. In order to compare this study's findings to previous research and identify relevant gaps that might serve as a foundation for future research, this review is suggested.

2.6 Related Empirical study

Manoel (2010) investigates how the inflation rate effects the growth of Latin American countries from 1970 to 2007, Using panel estimation techniques. Latin American nations are the focus of his studies at this time. Research is based on many variables, including the inflation-adjusted growth rate of real GDP, the share of GDP traded openly by the government, the investment ratio, the structural development index, the share of GDP liquid liabilities, and the political regime. Thus, inflation and economic growth may be seen as being intimately linked in a negative way.

Shuaib et al. (2015) employ Granger causality tests and co-integration tests to examine the influence of Nigeria's inflation rate on its economy between 1960 and 2012. Both the model's findings and the causality test indicate that the variables have no long-term association. This 47-year research (1970–2016) employed ARDL techniques and Granger causality to examine the relationship between inflation rate and a nation's economic prosperity. Inflation and the exchange rate have a favorable impact on economic growth, but the delayed exchange rate value demonstrates a negative association. According to the causality test, inflation rate, exchange rate, and Nigeria's economic development are not causally related.

Inflation's impact on Nigeria's economic development is examined by Anidiobu et al. (2018), who use descriptive and ordinary least squares to analyze data from 1986–2015. According to the findings, the inflation rate has a negligible positive correlation with growth in the Nigerian economy, however the exchange rate has a large positive correlation.

Idris and Suleiman (2019) analyze the impact of inflation on Nigeria's economic development from 1980 to 2017 in a similar research. The research applies a vector error correction technique for the variables examined, which include gross domestic product, inflation rate, interest rate, and the country's exchange rate. There is a long-term link between the factors and the inflation and interest rates have a major and negative impact on Nigeria's economic growth.

According to Chude and Chude (2015), they use time-series data from 2000 to 2009 to assess the impact of inflation on Nigeria's economic development. The results show that inflation, the exchange rate, and economic growth all have a positive and substantial correlation. Analysis of Nigeria's economic development from 1980 to 2013 by (Olu and Idih 2015), using the least squares approach, examines the impact of inflation. The correlation between two variables was found to be negligible.

Anochiwa and Maduka (2015) investigate whether the rate of inflation in Nigeria has been linked to the Nigeria's economic progress during the previous 42 years. The Johansen

cointegration test reveals a nonlinear negative relationship between the two economic variables, whereas the Granger causality test reveals no cause-and-effect connection.

According to Borensztein et al (1998), the function of foreign direct investment is to facilitate the transfer of technological know-how and to promote economic progress. Inflows of foreign direct investment (FDI) have been proved to boost economic development, as shown by Ullah et al (2014). According to Alfaro et al. (2004), FDI profits are tied to the growth of financial markets. There are several reasons why foreign direct investment (FDI) isn't solely responsible for economic development.

Long-term investments by countries include management involvement, joint ventures, technology transfer, and knowledge transfer according to Zhang (2001). When it comes to foreign direct investment (FDI), they divide it into two categories: "inward foreign direct investment" and "outbound foreign direct investment" (Damooei and Tavakoli, 2006). The parent business must possess at least 10% of the ordinary shares of its abroad affiliates in order to be considered an FDI (Sharma and Gani 2004). For example, a government may transfer technology through license agreements, outright acquisitions, foreign financial inflows, turn-key projects, and international technical help in addition to these more conventional methods of transformation. This development relied mainly on licenses, whereas Korea relied on equipment imports and turnkey projects for its growth.

Economists have shown that foreign direct investment (FDI) and economic growth have a favorable correlation. Research on the link between economic growth and capital output shows that GDI (gross domestic investment) has a significant influence on growth. Foreign direct investment has an impact on productivity and resource allocation because of the transfer of intangible assets like technology, expertise, and other such assets (Graham 2001).

According to Durham (2004), studied data from 80 countries during the years 1979–1998. were studied to see whether FDI and EFPI (equity foreign portfolio investment) contributed to economic development. Advanced institutions and well-structured financial system have been found to improve the economic opportunities of foreign direct investment.

An investigation of the connection between FDI and growth by Azman-saini et al. (2010), utilizing data about 85 countries from 1976–2004, shows that institutional development is an important factor. A country's level of institutional maturity may be gauged by how free its economy is. Because FDI's influence on growth is dependent on economic freedom, according to the generalized technique of moment system estimator's findings, it doesn't have a direct impact on it.

FDI's influence on economic growth in poor and lower-middle-income, and upper-middle-income nations for the period 1976–2005 is also examined by Alguacil et al. (2011). These researchers use OLS and the System GMM (generalized method of moments) for their econometric analysis. According to the findings, FDI has a reduced influence on economic development due to macroeconomic volatility and low-quality institutions. According to Slesman et al. (2015), FDI and other forms of capital inflows have an impact on economic development only in nations with high-quality institutions. FDI has little or no impact on economic growth in nations whose institutions have not yet developed to a sufficient degree. Only nations with strong institutions can reap the benefits of FDI on economic development, according to their findings. Jude and Levieuge (2016) found that FDI has a growth-enhancing impact only in nations with a more stable institutional structure.

These studies indicate that FDI effects on the economic growth of a number of African nations have been relatively diverse. Obwona (1999) utilized two stages least squares (2SLS) to determine the relationship between foreign direct investment and the growth of Uganda's GDP between 1981 and 1995. This research utilizes two equations to estimate the elements that affect foreign direct investment (FDI) and its growth rate. An equation for GDP growth can be found by regressing a number of different variables. These include foreign direct investment (FDI), gross domestic savings (GDS) as a proportion of GDP, real export growth rates, foreign aid, and other capital inflows. A study by Obwona (1999) found that foreign direct investment (FDI) has a positive effect on economic growth, although being a relatively modest component. Other research concluded that export-driven economies are more likely to profit from foreign direct investment (FDI).

Tetteh (2015) examined the impact of exports on Ghana's economic growth using annual data from 1980 to 2013. Cointegration and vector error correction estimates are among the time series econometric methodologies being used to examine the long- and shortterm relationships between exports and GDP. It was found that in Ghana, the Johansen cointegration test demonstrated long-term connections between real GDP, exports, gross capital creation, and labor in the country. The Granger causality test showed that exports and GDP growth are linked in both directions. Both short-term and long-term growth in real GDP may be predicted by exports and capital investment, according to the research. Although labor had a negative effect on GDP over the long term, in the preceding year it had a positive effect on real GDP growth.

FDI has been studied in Kenya and Uganda using the least square dummy variable (LSDV) approach to examine the effects on economic growth. the study utilized annual data from 1970 through 1996 to estimate growth variables and foreign direct investment (FDI). Although FDI has a major influence on economic development, it is not a universal approach to enhancing overall economic growth, according to the researchers (Phillips, et al.2001).

Andrews (2015) conducted research on the correlation between imports, exports, and GDP in Liberia. It was shown that a single-directional causal relationship exists between exports and GDP, as well as between exports and imports; nevertheless, it was demonstrated that imports and GDP are interlinked. The GDP of Liberia is not entirely dependent on the country's exports. Instead, it is powered by a combination of imports and exports, with the former having a more enduring effect.

Were et al (2002) used yearly data from 1980 to 2000 to investigate the short- and long-term links between exports and GDP growth in Kenya. The country's labor force and the currency rate were also considered. The VECM, ARDL, and Granger causality models were all used. On a long-term basis, exports and GDP growth are inseparably bound together. They backed the idea of export-driven growth and campaigned for methods to increase exports.

Jordaan and Eita (2007) studied the link between Namibia's exports and economic growth between 1970 and 2005. It was decided that the best way to estimate GDP was to use Granger causality, ECM, and Johansen Maximum Likelihood. Compared to imported goods, exports had a bigger effect on the country's GDP and GDP per capita. Imports and exports were shown to have a bi-directional causal connection with GDP, as well.

Ugochukwu and Chinyere (2013) examined the export-led development model in Nigeria using data from 1986 to 2011. It was determined that exports had a significant impact on growth, and in what direction, using economic methods like Granger causality and Ordinary Least Squares (OLS). The study found that oil exports had a significant and positive impact on Nigeria's economy over the time period studied. Additionally, non-oil exports had a considerable influence on GDP, according to a study. GDP and oil exports have a one-way connection, as shown by the Granger causality test.

3. METHODOLOGY OF THE STUDY

This research was based on an examination of the effect of international trade on economic growth of Nigeria. In this study, FDI, the volume of products imported and exported and as well as inflation are all considered independent variables whereas GDP is dependent variable of the study. The World Bank Data indicator site was extract secondary data, which is presented as yearly time series spanning the years 1981 through 2019. For this research, Nigeria was selected as a case study, and the primary goal is to understand how these factors affect a nation's economic growth rate.

3.1 Specification Model of the Study.

Regression analysis was used as the model in this study. Regression analysis is a complicated statistical method that lets researchers look into the relationship between a number of different factors. There are several ways to estimate the coefficients of linear regression equations, which are used to show the relationship between independent quantitative variables and a dependent variable. The autoregressive distribute lag (ARDL) regression is one of the most common ways to estimate a linear regression model with parameters that are not known. This method tries to minimize the sum of squared vertical distances between the responses in the observed dataset and those predicted by the linear approximation.

An alternate approach was used in this research to conduct the linear combination of variables (FDI, export, import, and inflation) and GDP in the model. Both the single-equation and Johansen maximum likelihood techniques are clearly outperformed by the Stock-Watson strategy. This technique improves on the single equation method and the Johansen maximum likelihood procedure by accounting for repressor endogeneity and serial correlation, which are major flaws in the single equation method and the Johansen maximum likelihood procedure. Furthermore, the Stock-Watson technique, like the Johansen process, exhibits asymptotic optimality as a function of time. Here is the equation of linear regression:

$$\mathrm{GDP} = \beta 0 + \beta 1\mathrm{FDI} + \beta 2\mathrm{EXP} + \beta 3\mathrm{IMP} + \beta 4\mathrm{INF} + \mathrm{e}$$

Where

GDP= Gross domestic production

FDI= Foreign direct investment

EXP = Export

IMP = Import

INF=Inflation

e= Error term.

3.2 Data of The Study

The study used the secondary data from world bank data indicator, to avoid errors and biases data because the data in world bank is free from error and biases. The study is based on the annual data of time series data over the full sample period of 1981-2019 Nigeria. To assess cointegration, the analysis was applied the ARDL model to analyze the effects of the components and to decide the relationship between the variables. The current data are U.S dollars, time series data estimation is used to derive useful statistics and other data features, evaluate time series data. Time series forecasting is the use of a formula dependent on historically observed values to estimate potential values. While regression analysis is also used to evaluate hypotheses that this time-series measurement data is not referred to as time series analysis, which relies on the evaluation of values of a single time series or multiple dependent time series at different time points. The study of single time series indicators is Fragmented Time-Series. To reduce the probability of producing biased outcomes, time-series data recommends human variability and requires a wide number of data points (observations) to maximize the degrees of freedom and variance and to study the dynamics of shift.

3.3 Data Analysis of the Study

The study utilized the EViews 11 program to determine whether or not there was a connection between FDI, exports and imports and as well as GDP. The many different types of analysis performed throughout the duration of this investigation are given below.

3.4 Descriptive Test

The study used descriptive statistics to give an explanation of basic data features. It gives a small sample size and summarizes the measurements. Using just basic visual analysis, the underlying foundation upon which practically any quantitative data analysis can be developed. Descriptive analysis reveals the mean, lowest, standard deviation, and maximum values of the data.

Table 3.1 Descriptive Test

	LOGFDI	LOGEXP	LOGIMP	LOGINF	LOGGDP
Mean	21.06754	23.82259	23.65900	2.679167	26.12528
Median	21.01993	23.65558	23.48311	2.530116	25.90171
Maximum	22.90267	25.35252	25.33660	4.288204	26.94374
Minimum	19.05813	21.75576	21.98449	1.684176	25.45149
Std. Dev.	1.145217	1.043733	1.082700	0.692793	0.515305
Skewness	0.036423	-0.080186	0.040762	0.869334	0.364620
Kurtosis	1.810878	1.823079	1.654021	2.867816	1.606629
Jarque-Bera	2.306391	2.292649	2.954746	4.940708	4.019070
Probability	0.315627	0.317803	0.228236	0.084555	0.134051
Sum	821.6342	929.0809	922.7009	104.4875	1018.886
Sum Sq. Dev.	49.83780	41.39635	44.54509	18.23856	10.09050
Observations	39	39	39	39	39

The table above shows the result of descriptive test and the results indicates that the average mean series of FDI is 21.06754 with (SD=1.145217), and range of the series between 19.05813 to 22.90267, where the average mean of exports series is 23.82259 with (SD= 1.043733) and data span between 21.75576 to 25.35252, and also the result indicate that the average mean of imports is 23.65900 with (SD=1.082700), and the series range between 21.98449 to 25.33660. The mean average of GDP series of the study was found 26.12528 with (SD=0.515305), which is the highest mean of the study and also this factor is crucial factor of Nigeria economy. The kurtosis of the study reveals that all series are positive, indicating that the distribution of the data is peaked and has thick tails, however the skewness

of the data shows that all variables are positive skew except exports and less than 1, suggesting that the data is normal distribution and the tail is on the right side. Skewness is larger than zero for a favorably skewed distribution.

3.5 Correlation Test

The correlation matrix reveals an issue with multicollinearity by examining at the direction of the relationship between the variables as well. A perfect positive connection between two variables will have a correlation coefficient of 1.0. There is no relationship between two variables if the correlation coefficient is 0.

Table 3.2 Correlation Test

Probability	LOGFDI	LOGEXP	LOGIMP	LOGINF	LOGGDP
LOGFDI	1				
LOGEXP	0.855	1			
	0.0000	-----			
LOGIMP	0.793	0.963845	1		
	0.0000	0.0000	-----		
LOGINF	-0.177	-0.367640	-0.351025	1	
	0.2792	0.0213	0.0284	-----	
LOGGDP	0.790	0.857914	0.885	-0.295446	1
	0.0000	0.0000	0.0000	0.0678	-----

Source: World Bank Data

The table above shows the results of the data correlation test, which show that GDP has a strong positive association with the variables of the research. The degree value of the link between FDI and exports is (0.855), which is strong and positive, whereas the degree value of the relationship between FDI and imports is (0.793), which is highly significant and positive. Also, the study results show that the degree relationship between FDI and inflation is (-0.177), which is negative and not strong but this result was found statistically not supported, and also GDP has a favorable connection with FDI with a degree value of (0.790), as well as a positive and strong relationship with imports with a degree value of (0.885), so

the study variables are correlated each other with strong positive coefficient except inflation because the result reveals the inflation variable has negative correlation with other variables of the study, therefore all degree values of correlation were found the p-value shows a lower level of significance, except the degree relationship FDI and inflation.

3.6 Unit Root Test

Test for stationarity prior to estimating regression to determine which data series are stationary and which are not. Therefore, the researcher used Augmented Dick Fuller to determine if any variables in this study are constant. In order to determine which series are stationary and which are not, the decision rule is based on the fact that if the ADF t-statistic is more than the critical value of the research, then the null hypothesis that the series is non-stationary in H0 is rejected. The alternative hypothesis that there is stationary in the series is tested and the t-statistics are lower the p-value, then the alternative hypothesis is accepted.

Table 3.3 Unit Root Test of ADF Method

	Stationary Order	**ADF test T-statistics**	**Critical value**			**Prob.***
			1%	5%	10%	
D(LOGFDI)	**I(I)**	-9.859250	-3.621023	-2.943427	-2.610263	0.0000
D(LOGEXP)	**I(1)**	--6.436865	-3.621023	-2.943427	--2.610263	0.0000
D(LOGIMP)	**I(1)**	-5.569698	-3.621023	-2.943427	-2.610263	0.0000
D(LOGINF)	**I(1)**	-6.889738	-3.626784	-2.945842	-2.611531	0.0000
D(LOGGDP)	**I(I)**	-3.856836	-3.621023	-2.943427	-2.610263	0.0054

The table above shows the analysis of unit root test by using ADF test and the result it is seen in the table above that the unit root test revealed that FDI, exports, imports, inflation

and GDP series are stationary at 1st level difference and t- statistics is greater than critical value, and this result was found statistically significant because all the variables their p-value are less than 0.05, we can reject the null hypothesis.

3.7 Cointegration test

A co-integration test is used to determine whether or not the study's variables are in a long-run equilibrium state. trace and maximum eigenvalue tests were used in the investigation, and the assumption of intercept and trend was applied to all variables. A cointegration test is used as part of the research to determine whether or not the variables are stable during the span of the data. Trace and maximum eigenvalue tests were used for all variables in the research, which assumed that there was a trend and an intercept. A co-integration test was performed to certain that the regression model that would be reviewed was not a hoax and that it was grounded in real-world data. So that the model could be analyzed, this was done. In this case, the co-integration test of Johansen was used. The number of co-integration equations is counted to determine the length of the long-term link between the variables in this test.

Table 3.4 Cointegration Test Between the Variables of The Study

Hypothesized		**Trace**	**0.05**	
No. of CE(s)	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****
None *	0.646653	99.69973	88.80380	0.0065
At most 1	0.549259	61.20842	63.87610	0.0822
At most 2	0.371777	31.72448	42.91525	0.4034
At most 3	0.221186	14.52468	25.87211	0.6141
At most 4	0.132878	5.275300	12.51798	0.5574

Source: World Bank Data

To evaluate if a long-term relation exists between the data series, we must first assess whether the series are cointegrated. The Johansen Cointegration test was used to determine whether or not the series has a cointegrating equation. The hypothesis is the following.

H_0: no Cointegrating Equation exist in the model

H_1: *Cointegrating Equation exist in the model*

The Ho is rejected if the trace statistic exceeds a certain value of 5 percent. The result reveals that trace statistic of 99.69973 and a 5-percent critical value of 88.80380 (p=0.0065) in the Johansen Cointegration test result. Cointegrating equations was determined because the calculated trace statistic is larger than the critical value. Since then the series have developed a long-term relationship. To put it another way, the long-term relation between the variables are exists. This test determines whether or not a regression model estimate can be used in the future.

3.8 Estimation of ARDL Long-Run and Short-Run Coefficient

To predict both short- and long-term effects, the ARDL test employs a regression equation. This research employed cointegration to see whether long-term coherence aspects were present. Pesaran et al. (2001) presented an ARDL cointegration testing methodology based on the underlying break. In addition to immediate and long-term effects, the stated outcome takes into consideration the relationship between these elements as well. For long-term relationships, Pesaran et al. (2001) recommended utilizing the ARDL technique for cointegration, whether the hidden components are I(0), I(1), or a mix of both. To differentiate evidence of the cointegrating vector in such cases, ARDL is a method that may give valuable and reliable evaluations. A long-term relationship may be defined as the sum of all of the key components. As an ECM-like design and a single model condition, ARDL lends itself to re-parameterization. Unbounded leg motions are combined with the regressor in the backslide model.

The ARDL approach is divided into two steps. In order to investigate whether or not long-term cointegration exists, equation (1) is recast as a constrained error correction model (ECM) inside the ARDL framework as equation (2).

$$\Delta GDP_t = C_0 + \alpha_1 GDP_{t-1} + \alpha_2 FDI_{t-1} + \alpha_3 EXP_{t-1} + \alpha_4 IMP_{t-1} + \alpha_5 INF_{t-1} + \sum_{i=1}^{n} \alpha_1 \Delta GDP_{t-1} + \sum_{i=1}^{n} \alpha_2 \Delta FDI_{t-1} + \sum_{i=1}^{n} \alpha_3 \Delta EXP_{t-1} + \sum_{i=1}^{n} \alpha_4 \Delta IMP_{t-1} + \sum_{i=1}^{n} \alpha_5 \Delta INF_{t-1} + \varepsilon_i \quad \text{……...……... (2)}$$

Its delta value shows how ARDL moves in the short term. ARDL Long-term relationships are also calculated by the parameters that are related to the variables. The short-run error correction model is used for both the short-term dynamics and the long-term resilience of the equation (2). Here's a way to discover this out (3).

$$\Delta GDP_t = C_0 \sum_{i=1}^{n} \alpha_1 \Delta GDP_t + C_0 \sum_{i=1}^{n} \alpha_2 \Delta FDI_{t-1} + \sum_{i=1}^{n} \alpha_3 \Delta EXP_{t-1} + \sum_{i=1}^{n} \alpha_4 \Delta IMP_{t-1} + \sum_{i=1}^{n} \alpha_5 \Delta INF_{t-1} + \varepsilon_i \text{ ……...…….. (3)}$$

Table 3.5 ARDL Short Run Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOGFDI(-1)	0.087208	0.130195	0.669831	0.5103
LOGFDI(-2)	0.454349	0.155694	2.918221	0.0082
LOGEXP	0.150981	0.400314	0.377156	0.7098
LOGIMP	0.669280	0.521075	1.284423	0.2130
LOGINF	-0.101015	0.160407	-0.629742	0.5357
LOGINF(-1)	0.264147	0.205636	1.284536	0.2129
LOGINF(-2)	-0.090731	0.222694	-0.407423	0.6878
LOGINF(-3)	-0.352753	0.206890	-1.705029	0.1029
LOGINF(-4)	0.312309	0.132005	2.365894	0.0277
LOGGDP	-3.620217	2.514155	-1.439934	0.1646
LOGGDP(-1)	4.409897	3.651552	1.207678	0.2406
LOGGDP(-2)	4.402304	3.806032	1.156665	0.2604
LOGGDP(-3)	-6.557481	2.317915	-2.829043	0.0101
C	25.76236	10.26303	2.510211	0.0203

Source: World Bank Data

The table above shows the calculation of ARDL in short run model and the result indicate that FDI and inflation have positive effect on economic growth of Nigeria in short run and this result was found statistically significant, so that mean we have evidence to reject the null hypothesis. The result also reveals that the previous years of GDP have negative effect on economic growth of Nigeria, so the H0 is rejected. The table above also indicate that the exports and imports have positive effect on economic growth of Nigeria, but the result was found statistically insignificant because p-value is greater the level significant and

we cannot have rejected the H0, so we conclude that exports and imports have no effect on economic growth of Nigeria in short run.

Table 3.6 ARDL Long-Run Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.76236	10.26303	2.510211	0.0203
LOGFDI(-1)*	-0.458443	0.164601	-2.785179	0.0111
LOGEXP**	0.150981	0.400314	0.377156	0.7098
LOGIMP**	0.669280	0.521075	1.284423	0.2130
LOGINF(-1)	0.031957	0.260786	0.122540	0.9036
LOGGDP(-1)	-1.365497	0.571677	-2.388582	0.0264
D(LOGFDI(-1))	-0.454349	0.155694	-2.918221	0.0082
D(LOGINF)	-0.101015	0.160407	-0.629742	0.5357
D(LOGINF(-1))	0.131175	0.205748	0.637551	0.5307
D(LOGINF(-2))	0.040444	0.172448	0.234531	0.8168
D(LOGINF(-3))	-0.312309	0.132005	-2.365894	0.0277
D(LOGGDP)	-3.620217	2.514155	-1.439934	0.1646
D(LOGGDP(-1))	2.155177	2.304580	0.935172	0.3603
D(LOGGDP(-2))	6.557481	2.317915	2.829043	0.0101

Source: World Bank Data

The table above shows the analysis of ARDL long-run model between the variables of the study and the result indicate that in the long run FDI has negative effect on economic growth of Nigeria and this result was statistically significant because the p-value of 0.011 and 0.0082 which are less than 0.05 of level of significant, so we can reject the H0 of the study. The result also reveals that in long run the inflation has negative on economic growth of Nigeria and the result was found by statistically support which means the probability value of 0.0277 is less than 0.05 of significant level, so that means the H0 can be rejected. The result of the table above also indicates in long run that there is a positive effect between the previous years of GDP and economic growth of Nigeria and this result was found statistically significant and we can the null hypothesis of the study. The table also provides the result that claims in long run the exports and imports have no effect on economic growth of Nigeria and we fail to reject the null hypothesis.

Table 3.7 F-Bound Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	5.965330	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
			Finite Sample:	
Actual Sample Size	35		n=35	
		10%	2.46	3.46
		5%	2.947	4.088
		1%	4.093	5.532

Source: World Bank

As shown in the table above, the F-Bounds Test was used to assess the ARDL short-run and long-run connection between the variables of the research. The table indicates that F-Bounds value was found 5.965330 is greater than the I/o limit. So that we can conclude that there is no cointegration between the variables of the study.

3.8.1 ARDL Diagnostic tests

The study was tested for serial correlation using the Breusch-Godfrey Serial Correlation (LM) test, heteroskedasticity using the ARCH test and Ramsey test.

3.8.2 Serial Correlation Test

The existence of a serial correlation denotes the situation in which subsequent periods are impacted by error terms from earlier periods. Despite the fact that the linear and statistically significant results from ARDL regression show a relationship between the variables. Lagrange multiplier, or Breusch-Godfrey serial correlation LM tests, were used to conduct the Serial correlation test. The objective is to describe how observations of the same variable gathered in the same time span are related to each other in terms of their correlation

coefficients. The null hypothesis in this test is that there is no correlation between the variable. When the R-squared statistic rises above the p-value of 5%, the H0 is not accepted and no serial correlation is discovered. When the R-squared statistic rises beyond the critical p-value of 5%, the null hypothesis cannot be rejected and there is serial connection between the variables of the study.

3.8.3 Heteroscedasticity Test

Testing for heteroscedasticity helps establish whether residual variance is constant. The ARCH technique was used to conduct a heteroscedasticity test to see whether error terms from earlier periods had an impact on future periods.H0 hypotheses include the following:

H0: Heteroskedasticity is absent

H1: Heteroskedasticity is present

If the crucial p-value is bigger than the Chi-square. H0 cannot be accepted. This signifies that there is no heteroscedasticity in the data set. Or else, there is heteroscedasticity.

3.8.4 Stability test

The research conducted a stability test in order to determine whether or not the regression coefficients are reliable. Because forecasting and prediction can only be done successfully if the parameters of the regression model that is being used are stable, this test is very important. The RESET stability test was used in this particular test.

An estimate of the multiple regression model was performed after it was determined that all of the variables that were utilized in the model contain both stationary and non-stationary components and that there is a cointegration connection between these variables. The diagnostic tests were carried out to establish the reliability of the coefficients of the variables and establish their applicability to the process of forecasting the future.

Table 3.8 ARDL Model Diagnostic Tests

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.314574	Prob. F(2,19)	0.2919

Obs*R-squared	4.254451	Prob. Chi-Square(2)	0.1192
Ramsey REST			
	Value	Df	Probability
F-statistic	0.226998	(2, 19)	0.7991
Heteroscedasticity Test: ARCH			
F-statistic	0.079247	Prob. F(2,32)	0.7801
Obs*R-squared	0.083992	Prob. Chi-Square(2)	0.7720

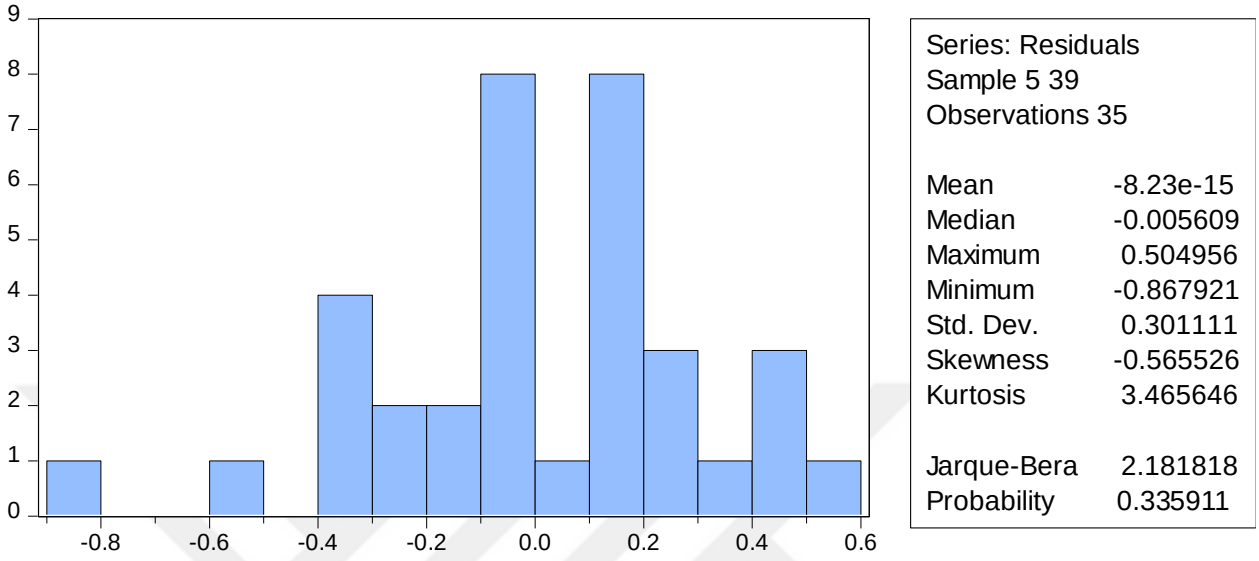
Source: World Bank Data

The study test, the Breusch-Godfredy Serial Correlation LM Test, is shown in the table above. A serial correlation analysis was performed, and the findings revealed that there was no correlation between the variables in the model. The p-value is smaller than 0.1192, which is the R-squared value. This implies that the null hypothesis, which asserts that no serial connection exists, should be accepted. It is also worth mentioning that the ARCH technique provides no evidence of heteroscedasticity, and the p-value of the model was 0.7720 which is more than 5%, indicating that there is no heteroscedasticity issue in the data.

3.8.5 Normality Test

A normal distribution about a zero mean and persistent variance is required for parametric tests in statistics. Relative normality of the residuals is a prerequisite for the ARDL regression model to work well. Histogram Normality Test was used in the research. This test is used to decide whether the variables of the study have a constant variance and are distributed normally around the mean. ARDL estimators will continue to provide a BLUE value if this criterion is not satisfied, but we will not be able to assess their statistical reliability using standard tests of significance if this is the case.

Figure 3.1 Normality test



Residuals were found to follow a normal distribution using the normality test findings given in Figure 1. The p-value of Jarque-Bera is equal to 0.335922, and which is more than critical probability 5 percent. As illustrated in Figure 1 above, the calculated linear regression model has shown to have real predictive capabilities and true predictions may be derived from the model's results owing to the confirmation of residual normality.

3.7 Granger Causality Tests

This test is employed to determine the direction of the correlations between the variables in the investigation. What follows is an explanation of the results, which show that Nigeria economy gains from foreign direct investment. In the Granger causality technique, we examined the structure of the causal links between the various variables. To see whether one-time series may assist predict another, the Granger causality test assesses the one-time series' predictive value. Predictive hypothesis testing is what this test is. A lower-than-predetermined quantity of alpha probability exists at that instant, and so. This test is used to examine the association between variables in the investigation and data from 1981 to 2019 was used in the test, which was carried out by running two lags of granger causality between the series data of the research.

Table 3.9 Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
LOGEXP LOGFDI	37	0.65523	0.5261
LOGFDI LOGEXP		1.05350	0.3605
LOGIMP LOGFDI	37	1.37201	0.2681
LOGFDI LOGIMP		2.08208	0.1412
LOGINF LOGFDI	37	2.75350	0.0788
LOGFDI LOGINF		0.62901	0.5396
LOGGDP LOGFDI	37	3.32885	0.0486
LOGFDI LOGGDP		1.45565	0.2483
LOGIMP LOGEXP	37	0.22666	0.7985
LOGEXP LOGIMP		0.39585	0.6764
LOGINF LOGEXP	37	0.96994	0.3900
LOGEXP LOGINF		0.86838	0.4293
LOGGDP LOGEXP	37	1.98450	0.1540
LOGEXP LOGGDP		0.59942	0.5552
LOGINF LOGIMP	37	0.58365	0.5637
LOGIMP LOGINF		0.78027	0.4668
LOGGDP LOGIMP	37	5.97124	0.0063
LOGIMP LOGGDP		0.35698	0.7025
LOGGDP LOGINF	37	1.18216	0.3196
LOGINF LOGGDP		1.81096	0.1799

Source: World Bank Data

The granger causality test was also employed to see whether the previous values of FDI, export, import, and inflation can be used to forecast the future values of GDP. According to the result in the table above, no granger series is cause for GDP. The table result also indicate that inflation, exports, imports, and foreign direct investment can all be accurately predicted by looking at previous log GDP values, but the causation between GDP and the other variables indicates a one-way relationship. Inflation can be used to predicted the future

value of FDI because the inflation variable has granger cause of FDI but FDI cannot be used to predict the future value of any variable of the study. The GDP series can be used to forest the value of FDI and inflation and imports and the granger causality test found that the p-values in both directions were less than alpha 0.05 for the three variables of FID, inflation and imports. The findings reveal that FDI does not granger cause imports in the same way that imports do not granger cause FDI. As a consequence, the link between FDI and imports have no unidirectional or bidirectional relationship, and this also goes same way other variable of the study.

4. CONCLUSION AND DISCUSSION

According to data analysis the result indicate that all variables of the study are stationary at 1st difference level and cointegration test reveals the series have developed a long-term relationship. Also, the result indicates that in the short run FDI has positive effect on Nigeria economic growth with coefficient value of (0.454349), and this result is significant but in long run FDI has negative effect on economic growth of Nigeria with coefficient value of (-0.458443) and this result was found by statistically significant. So the result clearly indicates that FDI in Nigeria is beneficiary in short run, this can make improvement of technology which has helped increase low capital intensive startups and the result can cause increasing employment opportunities and this enhances a country's finance and technology sectors. To reach low-middle-income status, attract foreign direct investment (FDI), and broaden its international market, Nigeria has developed a variety of open economic policies. The increase of the export market leads to a rise in output, which in turn supports economic growth. This finding is in line with those of other researchers, such as (Bouchoucha, and Ali, 2019). Nigeria has benefited greatly from foreign direct investment (FDI) by developing a number of high-tech industries, such as machine manufacture and energy, and by importing high-value added items such as computers and cellphones (Borensztein et al. 1998; and Agrawal 2015). Local productivity is rising in sectors where foreign enterprises are present, as can be seen more clearly in the data, (Lean and Tan 2011; Insah 2013; Iqbal and Abbas 2015).

According to result of data analysis that the exports and imports have positive effect on economic growth of Nigeria in both short run and long run, but the result was found statistically insignificant because p-value is greater the level significant and we cannot have rejected the H0, so we conclude that exports and imports have no effect on economic growth of Nigeria. A lack of funds, modern technology, limited managerial skills, and an inexperienced staff are some of the challenges that a poor country such as Nigeria has while attempting to export its products and services. There is other scholar who similar results such (Bakari, and Mabrouki 2017). For low- and high-income countries, however, export promotion does not have any significant impact on economic growth, (Subasat, 2002).

According Helleiner (1986), in his research on African and other 'poor' countries, also found no correlation between export performance and overall economic performance.

The study found that the in short run inflation has positive effect on Nigeria economic growth, in the long run the inflation has negative effect. This means that in the short run, inflation increases profits because producers can sell their goods at higher prices, investors and entrepreneurs are incentivized to invest in productive activities, and there is an increase in production, employment, and income, and shareholders can earn a good income as a result of companies' increased profits and tendency to distribute dividends. Long-term, inflation has a detrimental effect on the Nigerian economy. Fixed-income groups, such as employees, pensioners, and others, can be negatively affected. In addition, it produces an increase in income inequality, disturbs the planning process, stimulates speculative investment, hinders capital accumulation, and leads lenders to incur losses, all of which have a negative impact on exports revenue. In accordance with the findings of the research (Adaramola, and Dada, 2020; and Idris and Suleiman 2019). In the long term, this suggests that inflation is bad for the economy. To put it another way, inflation diminishes the value of money, which discourages investment, which in turn limits the economic development that may have come from it (Al-Taeshi 2016; and Denbel et al. 2016).

Exports and imports are essential to the growth and development of national economies since not every country has the resources and knowledge required to produce certain goods and services. To protect their own industries, governments use tariffs and import restrictions to exclude foreign competitors. Imports are essential for both businesses and consumers. For instance, Nigeria depends significantly on imports of goods that are either unavailable locally or less expensive abroad. In addition to locally produced things built using imported components, extra imported items benefit individual consumers. Imported items often provide purchasers a better value or a greater variety, both of which contribute to an improvement in quality of life. If nations desire to become net exporters, they must cease to be net importers. Imports supply us with necessary resources and things that we would not otherwise have access to or that are more affordable.

A nation that exports more generates a greater amount of economic activity at home. Production, employment, and money will increase as a result of greater exports. Gross domestic product (GDP) is the total worth of completed goods and services produced in a particular period of time when a nation is a net exporter. In other words, a country's wealth is increased through net export, and Nigeria should consider to reform the policy of exports and imports, in order to reach optimal level of standard living and well economic growth of whole country.

The practical implications of this study can be listed as the following statements, the study also included comparisons of many aspects of economic growth to a variety of other factors. At the macro level, there is a robust causal link between the many aspects of economic development. A number of policy considerations may be derived from the findings presented in this report, including the following.

When it comes to attracting foreign direct investment (FDI), Nigeria has to focus on high-tech initiatives that leverage low-cost labor and natural resources, such as tax and agricultural benefits, so that it can compete with the government in all sectors. As a result of FDI, infrastructure development and administrative process reform, as well as a contemporary health care system, it is imperative that we act quickly to eliminate informal fees, offer high-quality human resources, and implement modern healthcare systems.

Second, Nigeria is always looking for creative solutions to mobilize all sources of local and international capital, including the government's budget as well as private capital as well as foreign investment capital, in order to achieve the goals of its socio-economic development plan at any given time. Foreign assistance will give way to partnerships as Nigeria moves from being a low- to low-middle-income developing country in terms of its interaction with donors. Foreign donors are pushing for a gradual transition in Nigeria development cooperation policy to enable official development money to be invested in less favorable conditions, such as inexpensive loans. Aid in the implementation of strategies for sustained development and support. In light of its current financial situation, Nigeria should consider where it wants to invest its loan funds. ODA advances and unknown guide credits, for example, transport foundation projects, chores like clever urban communities, clean

energy, shrewd rural turn of events, or overflow effects, are available for initiatives that directly advance reasonable improvement associated monetary development. Should have a following. Change, improvement of ecological principles, enhancement of education, well-being, inventiveness, and talents; these are all examples of transformation. However, the selection of initiatives should be in general harmony between medium-term public speculation and medium-term public duty, with a focus on repayment terms to ensure the credibility and accountability of new donors, as well.

Third, Nigeria promotes the product of labor and goods derived from a positive causal link between imports and economic growth: the strict implementation of reciprocal and multilateral concurrences with various countries and worldwide. " Organizations of monetary value, in order to cope with the commodities markets there and to expand new market opportunities. Assists in the development of devices, innovation and assembly cycles to meet commodities market rules and standards by providing detailed plans Commodity goods are being rebuilt in an effort to increase the number of valuable things. Creating a favorable environment for businesses to take advantage of product openings by enhancing business sector data. Promoting the improvement of the administrations of the framework and cooperation. Implementation of executive practices and import and commodity exercise plans, support for detaching administrative procedures, exhortation to companies managing import and product exercise and data and lawful assistance.

The decentralized government system established by Nigeria present constitution, which was drafted in the preceding three years, was drafted during that time period. Future research should thus focus on the assessment of particular regional and national instances in order to give precise policy proposals and to use more robust econometric models. This. Thus, FDI's effect on the economy may be enhanced. However, the vast bulk of foreign direct investment (FDI) money in agriculture is routed via the establishment of foreign affiliates in Nigeria. Small-scale agro-industry must be studied to reduce the danger of foreign direct investment and poverty.

A pre-construction research should be carried out before the mining industry's recent blossoming, in which foreign-affiliated enterprises are needed to investigate Nigeria natural

resources with the best knowledge and resources. It's imperative that this task be carried out. This will have a detrimental impact on the local economy.

In this research, macroeconomic indicators are utilized to study the impact of FDI on Nigeria economic development. There should be a look at how investors feel about the impact of different business aspects on their enterprises and information on the other side of that coin. FDI is regarded from the perspective of a multinational company.

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