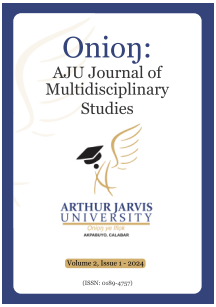

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IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC DEVELOPMENT IN NIGERIA *

Ekanem Nsikhe Okon & Ashibuogwu Chukwuka

The research investigated the impact of foreign direct investment (FDI) on Nigeria's economic growth. The study utilised annual data from the Central Bank of Nigeria's statistical bulletin and the National Bureau of Statistics yearbook from 1981 to 2019. Descriptive statistics and the multi-collinearity test were employed as pre-estimation diagnostic tools. The results indicated that none of the variables displayed a pairwise correlation matrix of 0.8 or higher. The findings further revealed that foreign direct investment has a negative and statistically insignificant impact on economic development in Nigeria. This indicates that FDI does not effectively promote economic growth in the country. On the other hand, the exchange rate, balance of payment, and unemployment were found to have a positive and significant impact on economic development in Nigeria. There is a need to stabilise the exchange rate for sustained economic growth.

KEYWORDS: *Economic development, FDI, OLS, Nigeria.*

INTRODUCTION

Extensive research and analysis have been conducted to understand the influence of foreign direct investment (FDI) on Nigeria's economic development. Ajayi (2006) asserts that FDI has significantly driven economic growth in Nigeria, particularly in sectors such as oil and gas, telecommunications, and manufacturing. The author further highlights the positive contributions of FDI inflows, such as job creation, technology transfer, and infrastructure development within the country. However, some scholars have raised concerns about the potential negative impacts of FDI on Nigeria's economic growth. Oyinlola (2013), for instance, argues that FDI has resulted in resource depletion and environmental degradation, particularly in the oil and gas sector. Additionally, the author suggests that FDI inflows have not translated into significant improvements in Nigeria's poverty reduction and income inequality.

Given the conflicting perspectives on the impact of FDI on Nigeria's economic development, a comprehensive study is needed to assess its effects on various aspects of the economy. This study analyses the relationship between FDI inflows and key economic indicators, including GDP growth, employment, exchange rate, poverty reduction, and industrialisation in Nigeria.

Foreign direct investment (FDI) has long been recognised as a crucial driver of economic development in developing countries, Nigeria included. The influx of foreign capital, technology, and expertise through FDI can significantly impact multiple aspects of the economy, such as stimulating growth, creating employment opportunities, facilitating technology transfer, and improving living standards. Nigeria, one of Africa's largest economies, has attracted a substantial amount of FDI over the years, leading researchers and policymakers to explore the implications of foreign investment for the country's economic development. This introduction provides a foundation for examining the empirical evidence on the impact of FDI on Nigeria's economic development, shedding light on the potential benefits and challenges associated with foreign investment in the Nigerian context.

STATEMENT OF THE PROBLEM

Despite the significant inflow of foreign direct investment (FDI) into Nigeria over the years (Ajayi, 2006), there remains a lack of consensus regarding the overall impact of FDI on the country's economic development. While some studies suggest that FDI has positively contributed to economic growth, job creation, and technology transfer, others argue that it has resulted in resource depletion, environmental degradation, and limited poverty reduction and income inequality improvements. This conflicting evidence highlights the need for a comprehensive analysis to assess the true impact of FDI on various aspects of Nigeria's economy and to identify potential challenges and opportunities associated with FDI inflows. Given the above, the following research questions have been formulated to guide the study: To what extent does foreign direct investment impact economic development in Nigeria? To what extent does the exchange rate impact economic development in Nigeria? The objective of this study is to investigate the impact of foreign direct investment on economic development in Nigeria, with specific aims to examine the effects of foreign direct investment on economic development and to assess the impact of the exchange rate on economic development in Nigeria.

The study covered a period of 38 years, ranging from 1981 to 2019. The time frame is considered suitable for the study because it covers the era of foreign direct investment (FDI) inflow into Nigeria economy. The rest of the paper is put down as follows: chapter two covers the theoretical/empirical literature, chapter three covers the methodology section, data estimation and analysis are explained in Chapter Four, while the last section, chapter five comprises the conclusion of the study, policy implication and recommendation.

The concept of Foreign Direct Investment (FDI) refers to the investment made by a company or individual from one country into business interests located in another country. It involves a long-term relationship and active management involvement by the investor in the foreign country. FDI is distinguished from other types of investment, such as portfolio investment, by the element of control and influence that the investor seeks to exert over the foreign enterprise. FDI can be categorised into three types: horizontal, vertical, and conglomerate investment.

The key characteristics of FDI include:

1. Control and Influence: FDI involves a significant degree of control and influence over the operations of the foreign enterprise. The investor has decision-making power managerial involvement, and may transfer technology to the foreign market.

2. Long-Term Perspective: FDI represents a long-term commitment by the investor in the foreign market. It often involves establishing new facilities, acquiring existing businesses, or entering into joint ventures with local companies, signalling sustained interest in the foreign economy.

3. Transfer of Resources: FDI often involves the transfer of capital, technology, skills, and management expertise from the investing company to the foreign enterprise. This can contribute to developing local industries, employment generation, and knowledge spill overs.

4. Multinational Operations: FDI is commonly associated with multinational corporations (MNCs) seeking to expand their operations into new markets. MNCs may invest in foreign countries to access new market resources, or to take advantage of cost differentials.

The impact of FDI on host economies can be multifaceted. Potential benefits include increased capital inflows, technology transfer, employment generation, and export expansion. However, challenges can also include dependence on foreign capital, potential exploitation of local resources, and competition with domestic firms. FDI plays a significant role in the global economy, contributing to cross-border investment flows, technology diffusion, and economic development in host countries

ECONOMIC DEVELOPMENT

Economic development refers to the sustained improvement in a population's standard of living, quality of life, and economic well-being within a country or region. It encompasses many factors, including increased income levels, reduced poverty, improved health and education outcomes, infrastructure development, and overall progress in social and economic indicators. Critical aspects of economic growth include:

1. **Economic Growth:** Economic development is often closely linked to economic growth, which refers to the increase in a country's production of goods and services over time. Sustainable economic growth is essential for creating jobs, increasing incomes, and reducing poverty.

2. **Human Development:** Economic development also focuses on improving human capabilities and opportunities, such as access to education, healthcare, and essential services. Enhancing human capital through education and skills training is crucial for long-term economic development.

3. **Infrastructure Development:** Building and maintaining infrastructure, such as transportation networks, communication systems, energy facilities,

and water supply, are essential for supporting economic activities and improving the quality of life for citizens.

4. **Social Inclusion:** Economic development aims to reduce inequalities and promote social inclusion by ensuring that all segments of society have access to economic opportunities, resources, and benefits of growth.

5. **Sustainable Development:** Sustainably achieving economic development involves balancing economic growth with environmental protection and social equity. Sustainable development aims to meet the needs of the present without compromising the ability of future generations to meet their own needs.

6. **Institutional Development:** Strong institutions, including transparent governance structures, effective legal systems, and regulatory frameworks, promote economic development by providing a conducive environment for investment, entrepreneurship, and innovation.

Measuring economic development involves a range of indicators, such as gross domestic product (GDP) per capita, poverty rates, literacy rates, life expectancy, access to essential services, and income distribution. Policies promoting economic development often focus on fostering a conducive business environment, investing in human capital and infrastructure, encouraging innovation and technology transfer, and fostering social inclusion and sustainable practices. In summary, economic development is a complex and multidimensional process that requires coordinated efforts from governments, businesses, civil society organisations, and international partners to create inclusive and sustainable growth opportunities for all members of society.

Theoretical framework

The two-gap theory

The Two-Gap Theory of Development, also known as the Chenery–Strout model, was developed by economists Hollis B. Chenery and Alan M. Strout in the 1960s.

This theory provides a framework for understanding the challenges developing countries face in achieving economic development and the role of foreign aid and investment in addressing these challenges.

According to the Two-Gap Theory, developing countries face two main gaps that hinder their economic development: a savings-investment gap and a foreign exchange gap. The savings-investment gap refers to insufficient domestic savings relative to the investment needed to finance development projects and infrastructure. On the other hand, the foreign exchange gap arises from the imbalance between a country's ability to pay for imports and the availability of foreign exchange reserves. Chenery and Strout argued that foreign aid and investment could play a crucial role in filling these two gaps and promoting economic development in developing countries. Foreign assistance could help bridge the savings-investment gap by providing additional financial resources for development projects.

In contrast, foreign investment could contribute to closing the foreign exchange gap by generating export earnings and bringing in capital and technology. Various studies have provided empirical evidence supporting the Two-Gap Theory. For example, a survey by Azam Chaudhry and Musleh-ud Din (2007) examined the impact of foreign aid and foreign direct investment on economic growth in Pakistan. The findings suggested that foreign aid and FDI had a positive and significant impact on economic growth, supporting the Two-Gap Theory's assertion that external financial flows can help address the savings-investment gap and promote development.

Another study by J. E. Stiglitz (1974) explored the role of foreign aid and investment in overcoming the constraints to development in developing countries. Stiglitz's analysis provided insights into how foreign financial inflows could alleviate the savings-investment and foreign exchange gaps, thus contributing to economic development. In conclusion, the Two-Gap Theory of Development provides a valuable framework for understanding the challenges developing countries face and the potential role of foreign aid and investment in promoting economic development. Empirical research has supported the theory's premise, highlighting the importance of addressing savings-investment and foreign exchange gaps through external financial flows.

The impact of foreign direct investment (FDI) on economic development in Nigeria has been the subject of extensive empirical research. Numerous studies have examined the relationship between FDI and various aspects of economic development, including economic growth, employment generation, technology transfer, and overall improvement in living standards. The following review summarises some key empirical findings on this topic, drawing on relevant scholarly articles.

Odozi and Anowor (2018) investigated the impact of FDI on economic growth in Nigeria using time series data from 1980 to 2016. The authors employed the autoregressive distributed lag (ARDL) approach to examine the long-run and short-run effects of FDI on economic growth. The results indicated a positive and statistically significant relationship between FDI inflows and economic growth, suggesting that FDI stimulates Nigeria's economic development.

Akinlo (2004) conducted a study to assess the impact of FDI on employment generation in Nigeria. Using firm-level data, the author found that FDI inflows were positively associated with job creation in the Nigerian manufacturing sector. The study highlighted the potential of FDI to contribute to employment opportunities, thereby supporting the country's socio-economic development objectives.

Asiedu (2002) examined the role of FDI in facilitating technology transfer and spillovers in Nigeria. The study found evidence of positive technology diffusion effects from FDI, particularly in industries that were more open to foreign investment. The findings underscored the potential for FDI to enhance technological capabilities and productivity, contributing to broader economic development outcomes.

Awe (2013) examined the impact of FDI on economic growth in Nigeria from 1976-2006. The study revealed a negative relationship between economic growth and FDI due to insufficient FDI flow into the Nigerian economy.

John (2013), in this article on FDI, employment and economic growth in Nigeria, examined the links between Nigerian economic growth, jobs and FDI in the manufacturing and servicing sectors between 1990-2009.

The significant result of the Johansson co-integration technique and the vector error correction model revealed that FDI in the servicing sector has a positive relationship with economic growth. In contrast, FDI in the manufacturing sector has a negative relationship with economic growth. Granger causality test results show that casualty runs from growth to FDI in the service sector while growth and FDI in the manufacturing sector have a bi-directional casual effect.

Okonjo-Iweala and Osafo-Kwaako (2007) explored the impact of FDI on poverty reduction in Nigeria. Their analysis revealed that FDI inflows were associated with improvements in household welfare indicators, such as access to education and healthcare services. The study suggested that FDI could play a role in reducing poverty and enhancing human development, aligning with broader economic development objectives.

Pradhan (2011) investigated the role of foreign direct development on the trade-led growth hypothesis in three countries, including Australia, Canada and Israel, for the period of 44 years (1965 – 2009). The study took on panel co-integration and causality tests. The finding showed a long-run relationship between foreign direct development and growth after allowing for heterogonous country effect. The causality test confirms the presence of long-run and short-run bi-directional causality between openness and economic growth. It also confirms the presence of uni-directional casualty from economic growth to foreign direct development, but not vice versa. At individual level, foreign direct development was found to cause economic growth on Australian economy only. The conclusion was that economic growth may harm openness and foreign direct development in aforementioned countries investigated.

Siabu, Wosa and Agbeluyi (2011) explored the effect of financial development and foreign direct development on economic growth in Nigeria. The study modified the standard of endogenous model to incorporate FDI and financial development as the long-term determinant of long-term growth using time series data from 1970 - 2009. Findings from the result showed that financial and foreign direct development negatively affected Nigeria's economic growth. The result further indicates that the effect of FDI differed significantly when different measures of financial market variables are used.

Previous studies examine the impact of foreign direct investment on economic development in Nigeria. These studies such as *P*radhan (2011) and John Nkwona (2013) employed ECM, panel data model, VECM and OLS in their analysis to assess the impact of foreign direct investment on economic growth in Nigeria. However, most of these studies have a maximum scope of 15-25 years without including macroeconomic variables like balance of payment and unemployment. It is against this background that this study is different from the previous studies and attempts to fill in the existing gap by estimating the impact of foreign direct investment on Economic development in Nigeria from 1981-2019, using descriptive statistics and multicollinearity for pre-estimation test as well as Ordinary least square method under the framework of multiple regression modelling.

The methodology used for this study is ex-post facto research design. The decision was premised on the efficiency with which Ex-Post Facto research procedure utilizes both theories and empirical literature simultaneously to examine the impact of foreign direct investment on economic development in Nigeria with the use of time series data of 1981 through 2019. This model is backed up by the two- gap theory which seeks to explain how foreign direct development relate with economic development in Nigeria. The model in built with basic macroeconomic concepts by summing aggregate investment and aggregate expenditure or demand to boost economic development in Nigeria. *multi-collinearity test as a pre-estimation diagnostic test* and *econometric technique under the framework* Ordinary least square *technique was employed to evaluate this model*. Therefore, based on this theoretical foundation, the empirical model for this study is specified functionally as follow.

$$HDI = f(FDI, BOP, EXCHR, UNEM) \quad \ldots\ldots 1$$

The models in the above equation can be written in a linear form as follow.

$$HDI = \beta_0 + \beta_1 FDI + \beta_2 BOP + \beta_3 EXCHR + \beta_4 UNEM + \beta_6 + \mu \quad \ldots\ldots 2$$

WHERE;

H.D.I – Human Development index

BOP - Balance of Payment

EXCHR - Exchange Rate

UNEM - Unemployment;

the aprior expectation is represented as thus; a1 > 0, a2 > 0, a3 >0, a4>0, a5>0, a6>0, which means that we expect the relationship between the dependent variable and independent variable to be a positive one.

RESULTS

Table 1**: Descriptive statistic of variables as used in the study**

	HDI	FDI	EXCHR	BOP	UNEMP
Mean	0.445722	325301.3	84.57358	595262.2	33084722
Median	0.421512	157508.6	102.1052	162288.0	26.70000
Maximum	0.589321	1360308.	199.7000	1975659.	83733510
Minimum	0.377995	3757.900	0.610000	10452.22	12.30000
Std. Dev.	0.062780	363195.7	73.85931	708084.8	35048839
Skewness	0.915284	1.047529	0.143985	0.767167	0.161432
Kurtosis	2.638263	3.120226	1.424953	1.949711	1.161971
JarqueBera	5.657979	7.156050	4.166012	5.618094	5.659214
Probability	0.059073	0.027931	0.124555	0.060262	0.059036
Sum	17.38316	12686752	3298.370	23215227	1.29E+09
Sum Sq. Dev	0.149772	5.01E+12	207297.5	1.91E+13	4.67E+16
Observation.	39.	39.	39	39	39

Source: E-views 9 Output for Descriptive statistic of variables used in the study

Based on the descriptive statistics, it appears that the balance of payment (BOP) has the highest mean value, followed by unemployment, foreign direct investment (FDI), and the human development index (HDI). Unemployment also has a high deviation from its mean, indicating variability in the data. On the other hand, HDI has the least deviation from its mean. The kurtosis test results suggest that except for FDI and HDI, the other variables have a flat top distribution, as their kurtosis values are less than 2.0.

This indicates that the distributions of these variables are relatively less peaked compared to a normal distribution. The Jarque-Bera test results indicate that all the variables in the model follow a normal distribution, as the Jarque-Bera values are greater than 5 and the probability values are less than 0.05. This suggests that the variables are normally distributed.

In terms of the correlation test, you mentioned that the pairwise correlation matrix test was conducted to examine the correlation between the variables. A correlation value of 0.8 or above indicates the presence of multicollinearity. It would be helpful to know the specific correlation values between the variables to assess the presence of multicollinearity.

	HDI	FDI	EXCHR	BOP	UNEMP
HDI	1	0.8789402334317154	0.7257016807739643	0.6692702509023153	-0.7520927095487153
FDI	0.8689402334317114	1	0.8422943381532991	0.8836937704446967	-0.7191115959546626
EXCHR	0.7257016807739643	0.8322943381532992	1	0.7029253475685249	-0.8878447129726991
BOP	0.6692702509023153	0.8936937704446976	0.9029253475685249	1	-0.7684321671068223
UNEMP	-0.7520927095487153	-0.7191115959546626	-0.8878447129726991	-0.7584321671068233	1

The information above (table 2) provides an insight into the characteristics of the variables and their distributions, as well as their relationships through correlation analysis.

EMPIRICAL RESULTS OF THE SPECIFIED MODEL

Dependent Variable: HDI
Method: Least Squares
Date: 11/18/20 Time: 22:30
Sample: 1981 2019
Included observations: 39

Variable	Coefficien	Std. Error	t-Statistic	Prob.
FDI	-7.13E-09	1.28E-08	-0.557616	0.5808
EXCHR	0.000439	9.20E-05	4.767669	0.0000
BOP	6.31E-08	8.29E-09	7.615114	0.0000
UNEMP	4.00E-10	1.29E-10	3.106919	0.0038
C	0.360125	0.009571	37.62840	0.0000

R-squared	0.963823	Mean dependent var	0.445722
Adjusted R-squared	0.959567	S.D. dependent var	0.062780
S.E. of regression	0.012624	Akaike info criterion	-5.787246
Sum sq. residual	0.005418	Schwarz criterion	-5.573969
Log likelihood	117.8513	Hannan-Quinn criter.	-5.710724
F-statistic	226.4561	Durbin-Watson stat	2.096158
Prob (F-statistic)	0. 000000		

Source: Author's Computation (E-view 9), 2019

The Regression result presented above is analysed and interpreted based on three criterions:

Economic criterion, Statistical criterion and Econometric criterion.

Economic a Priori Criteria:

The estimated regression result of the aggregate model revealed that foreign direct investment (FDI) has a negative relationship with economic development in Nigeria which is not consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in foreign direct investment will reduce economic development in Nigeria by (-7.13E-09) units. Moreover, exchange rate (EXCHR) has a positive relationship with economic development in Nigeria which is consistent with the aforementioned a priori expectation because of the sign and magnitude. This implies that a unit increase in exchange rate will induce economic development in Nigeria by (0.000439) units.

Furthermore, balance of payment (BOP) has a positive relationship with economic development in Nigeria which is consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in balance of payment will induce economic development in Nigeria by (6.31E-08) units. Finally, unemployment (UNEMP) has a positive relationship with economic development in Nigeria which is consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in unemployment will induced economic development in Nigeria by (4.00E-10) units.

Statistical Criteria: This deals with the test of significance of the estimated parameters, therefore in testing for statistical significance of the parameter estimates of the model, we employed t-statistic test to test for the statistical significance of estimates. And by using t-statistics, the following decision rules were formulated.

DECISION RULE:

If t-value calculated is greater than t-value tabulated, reject (Ho) null hypothesis but if otherwise do not reject null hypothesis and conclude that the parameter estimate is statistically or not statistically significant at a certain level of significance.

The t-tabulated at 5% level of significance

Thus, $t\alpha*2\ (n-1)$

$t = 0.025*2\ (39-1)$

$t = 0.05(38)$

therefore, $t = 2.04$

At 5% level, the statistical test conducted on foreign direct investment shows that the parameters estimate is statistically insignificant since its t-value calculated of (-0.557616) is less than t-value tabulated of (2.04). This implies that foreign direct investment (FDI) is not a determinant of Economic development in Nigeria.

At 5% level, the statistical test conducted on exchange rate (EXCHR) shows that the parameters estimate is statistically significant since its t-value calculated of (4.767669) is greater than t-value tabulated (2.04). This implies that exchange rate (EXCHR) is a determinant of Economic development in Nigeria.

At 5% level, the statistical test conducted on balance of payment (BOP) shows that the parameters estimate is statistically significant since its t-value calculated of (7.615114) is greater than t-value tabulated (2.04). this means that balance of payment (BOP) determines Economic development in Nigeria.

At 5% level, the statistical test conducted on unemployment (UNEMP) shows that the parameters estimate is statistically significant since its t-value calculated of (3.106919) is greater than t-value tabulated of (2.04). This implies that unemployment (UNEMP) is a determinant of Economic development in Nigeria.

The R-squared of 0.963823 showed that the estimated model have a very good fit on the data. The R-squared of 0.963823 showed that about 96% percent of the total variations in the dependent variable have been explained by variations in the independent variables. This showed that the model has a good fit on the data and good explanatory power.

Similarly, the F-statistics value of 226.4561 showed that overall model is statistically significant at the conventional 5 percent level of significance i.e. (F*0.005 Cal (226.4561) > F0.005 tab (5.96) This means that the independent variables have an effect on the dependent variable, as such there exist a very high degree of linear relationship between the dependent variable and independent variables in the model.

Econometric Criteria (Second-order test): The Durbin Watson statistic is used to test for autocorrelation among variables in the model. The Durbin-Watson (DW) statistic of (2.09) shows that there is presence of serial positive autocorrelation in the model, which implies that the model can be used for policy formulation and forecasting over time.

Discussion of Findings: The findings as analysed in the empirical result of aggregate model revealed that foreign direct investment has a negative and insignificant impact on economic

development, indicating that foreign direct investment does not promote economic development in Nigeria this finding aligned with the empirical study of Awe (2013) who explored the impact of FDI on economic growth in Nigeria from the period 1976-2006. The study revealed a negative relationship between economic growth and FDI as a result of insufficient FDI flow into the Nigerian economy. This implies that a unit increase in foreign direct investment will reduce economic development in Nigeria by (-7.13E-09) units.

The findings as analysed in the empirical result of aggregate model revealed that exchange rate has a positive and significant impact on economic development in Nigeria indicating that exchange rate promotes economic development in Nigeria, exchange rate (EXCHR) has a positive relationship with economic development in Nigeria which is consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in exchange rate will induce economic development in Nigeria by (0.000439) units.

The findings as analysed in the empirical result of aggregate model revealed that balance of payment has a positive and significant impact on economic development in Nigeria, indicating that balance of payment promotes economic development in Nigerian Furthermore, balance of payment (BOP) has a positive relationship with economic development in Nigeria which is consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in balance of payment will induce economic development in Nigeria by (6.31E-08) units. The findings as analysed in the empirical result of aggregate model revealed that unemployment has a positive and significant impact on economic development, indicating that unemployment promotes economic development in Nigeria Finally, unemployment (UNEMP) has a positive relationship with economic development in Nigeria which is consistent with the a priori expectation because of the sign and magnitude. This implies that a unit increase in unemployment will induced economic development in Nigeria by (4.00E-10) units. In regression results presented above revealed that FDI is statistically insignificant impacting on economic development in Nigeria because of the signs and magnitudes, while exchange rate, unemployment and balance of payment are statistically significant impacting on economic

development in Nigeria because of their signs and magnitudes. Therefore, the study concluded that government should adopt a stable flexible exchange rate policy that will stimulate domestic production to attract foreign investors, create employment, and boost Economic development in Nigeria.

Policy Implication of the Findings: The regression results presented above revealed that FDI is statistically insignificant, impacting on economic development in Nigeria because of the signs and magnitudes, while exchange rate, unemployment and balance of payment are statistically significant, impacting on economic development in Nigeria because of their signs and magnitudes. Therefore, the study recommends that government should adopt a stable flexible exchange rate policy that will stimulate domestic production to attract foreign direct investment that will create employment to boost economic development in Nigeria.

Summarily, this work investigates the impact of foreign direct investment on economic development in Nigeria with time series data gathered from 1981 - 2019.The study reviewed conceptual framework, relevant literature, theoretical and empirical literature as discussed in the body of the work. The study is anchored on the two-gap theory. This theory seeks to explain the relationship that exists between foreign direct investment and economic development in Nigeria. The theory was built with basic macroeconomic concepts by equating aggregate investment (capital inflow) with aggregate expenditure or demand to boost economic development in the country Nigeria. The model is specified to examine the relationship that exists between foreign direct investment and economic development in Nigeria overtime as extensively discussed in the body of the work. The study employed Descriptive statistics and multi-collinearity test as a pre-estimation diagnostic test and econometric technique under the ordinary least square framework to estimate the model. The findings as analysed in the empirical result of aggregate model revealed that foreign direct investment has a negative and insignificant impact on economic development, indicating that foreign direct investment does not promote economic development in Nigeria. The findings as analysed in the empirical result of aggregate model revealed that exchange rate, BOP, and unemployment have positive and significant impact on economic development in Nigeria indicating that exchange rate, BOP and unemployment promote economic development in the country Nigeria.

Policy recommendations: from the findings of the study, it is pertinent to recommend the following

1. The positive and significant impact of balance of payment calls for government to maintain transparency and accountability in the country's balance of payment account transaction to attract capital inflows from foreign investors to induce employment to promotes economic development in Nigeria.

2. The negative and insignificant impact of foreign direct investment calls for government to create a friendly business environment in order to attract investors to create employment for a reasonable labour force participation to boost economic development in Nigeria.

NOTES

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