# IMPACT OF FDI, GCF, AND EXPORT ON ECONOMIC DEVELOPMENT IN NIGERIA (1980 – 2021)

by

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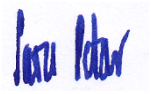

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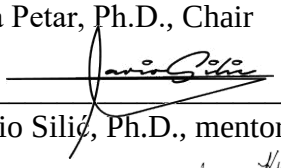

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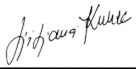

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**Dedication**

To God Almighty

> The Lord is my strength and shield. I trust him with all my heart. He helps me, and my heart is filled with joy. I burst out in songs of thanksgiving. Ps 28:1

To my family, Abimbola, Pearl, Olivia, Emmanuella, Sharon, and Michaelyn, for their extensive support and continuous encouragement during my period of study

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**Abstract**

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2022

Dissertation Chair: <Chair's Name>
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The study determined the impact of FDI, GCF, and exports on economic development in Nigeria (1980–2021). A time-series research design and time-series data from secondary sources were used for the study. The dataset ranged from 1980 to 2021. The collected data were analyzed using ordinary least square regression techniques. The autoregressive distributed lag (ARDL) model and the vector error correction model (VECM) were adopted based on the unit root and cointegration tests. The results of the study revealed that the mean values of education, exports, FDI, GCF, and PCI within the period of study were ₦717.07 billion, ₦5,715.124 billion, ₦360.9421 billion, ₦7,957.668 billion, and ₦782,855.8 billion, respectively. Furthermore, FDI has a significant relationship with PCI both in the short run and the long run. This implies that the more foreign direct investment (FDI) that is attracted to the country, the better off Nigerians will be. The results posited that GCF had an impact on economic development. This suggests that Nigeria can attain sustained economic development if it pays attention to capital accumulation. The results also suggest that there was no long-run relationship between FDI and educational investment; this may be attributed to continued inconsistency in the educational sector in Nigeria, thereby discouraging potential investors from investing in the educational sector. According to the findings, the GCF had an unstable impact on education, with both positive and negative significant effects. This might be due to the persistent instability in the educational sector. Based on the results, export earnings have an impact on economic development as they serve as a source of foreign exchange earnings and revenue generation for capital investment. Based on the various revelations of the study, it was concluded that the potential contributions of FDI, GCF, and export have not been fully maximized and that FDI, GCF, and export have both short- and long-term impacts on economic development. The study recommended that policy instruments that will drive the improvement of FDI, GCF, and export promotion be implemented in Nigeria.

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# CHAPTER I: INTRODUCTION

## 1.1 Introduction

Sustainable economic development is a top priority for all nations, particularly developing ones that frequently experience widening fiscal deficits due to greater levels of debt service, notably external debt servicing and expanding current account deficits (Reinhart *et al*., 2012). A government, as the representative of the people, has a fundamental responsibility to provide social and physical infrastructure, economic opportunities, education, proper health care, and safe roadways for the citizens of her country. The government must assess the sources of its revenue and outlays to carry out these duties. It is necessary to periodically study important macroeconomic indices like Foreign Direct Investment (FDI), Gross Capital Formation (GCF), and exports to fulfil the governments' responsibility for sustainable economic development.

FDI, GCF, and exports significantly influenced the growth of the nations' economy. FDI offers funds for investments, improves job creation and managerial capabilities, and facilitates technology transfer (Abu *et al*., 2011). Given its low *per capita* real income, high average and marginal consumption tendencies, low savings rate, and constrained new productive capital formation, Nigeria needs an appropriate inflow of foreign investment resources to sustain growth and meet its developmental goals. In a similar vein, increased international trade can generate economic growth by facilitating the diffusion of knowledge and technology through the direct import of high-tech goods (Sajo & Li, 2017).

No nation has ever had long-term economic development without making large investments in capital formation. The percentage of current income that is saved and invested to increase output and revenue in the future is referred to as capital formation (Nweke *et al*., 2017). The study spans from 1981–2021, the choice of the period is that Nigeria is experiencing an

excessive deficit. Secondly the study captures the changes in policy regimes implemented by the Federal Government. And thirdly, the long period allows for a better degree of freedom. The study possesses both theoretical and practical significance. Theoretically, the study will contribute to existing theories on the contributions of FDI, GCF, and exports to economic development. Practically, the study will be significant in the following ways: The current study will reveal the current state of economic development in Nigeria, which is measured using *per capita income (PCI)* and education, with a view to providing an understanding of the gaps in literature on the influence of FDI, GCF, and exports on economic development in the country. The study will help policy formulators, economic analysts, and commentators draw up effective arguments on the need for Nigeria to improve on her current state of economic development by addressing the shortfalls in FDI, GCF, and export trade investment. The study will also benefit Nigerian governments at all levels, as they will be exposed to the facts about economic parameters like FDI, GCF, and export and their effects on economic development. This will allow them to create appropriate policies to address the challenges and put Nigeria on the path of economic development.

## 1.2 Research Problem

Global foreign private investment flows have increased, according to Todaro & Stephen (2012) and Shuaib *et al*. (2015), although less than 3% of the total goes to Africa, while the rest goes to developed nations. Nigeria is one of the top receivers of FDI in Africa, yet the benefits of FDI have not been seen over the years given the axiom that FDI has a significant impact on economic advancement of the host economies. Theoretically, FDI may strengthen an economy by bringing in fresh capital, new products, and foreign technology. By transferring abilities, it can also increase the host country's knowledge base, according to the endogenous growth

hypothesis (Edmore & Odhiambo, 2013). Additionally, FDI plays a role in creating new jobs opportunities, increasing domestic investments, boosting exports, enhancing productivity in the productive sectors, and promoting economic growth. Nevertheless, despite the Low Developed Country's (LDCs') sincere efforts and desire to draw in crucial foreign investment, a few problems make them undesirable. A few of the contributing issues are low credit worthiness and a high debt load, both of which have weakened trust in emerging nations. Furthermore, recession and ongoing macroeconomic security and political uncertainty have influenced how foreign investors see these issues highlighted (Awe, 2013).

Economic theory has demonstrated that high levels of capital formation and savings are necessary for a country's development over the long run (Ugwuegbe & Uruakpa, 2013). To fund high levels of capital formation, which will eventually result in higher productivity and long-term economic growth, large levels of savings are required. A country cannot fund capital formation solely through foreign investment (Gbenga & Adeleke, 2013). Without significant investment in capital formation, no country will have sustained economic growth (Nweke *et al*., 2017). In order to achieve economic growth on a global scale, increasing capital formation must been given priority. Therefore, an economic precondition for developing a development of policy interventions aimed at attaining economic development is understanding the influence of capital formation on the policy goal (Nweke *et al*., 2017).

Savings and investment levels in Nigeria have been extremely low. According to Iyoha (1998), this low level of investment and savings was one of the primary reasons for the drop in *per capita* GNS and negative real GDP growth in the early and middle 1980s. Different economic issues confront Nigeria's expanding economy, and fluctuations in the key economic indicators are closely connected to these issues (Onu, 2012). In Nigeria, capital formation has

been characterized by fluctuations, owing to the scarcity or inadequacy of social infrastructure, including roads, electricity supplies, and healthcare facilities. This situation results in low intensity of economic growth, drop in capital formation, and poses a challenge to sustainable economic development in Nigeria's (Nweke *et al*., 2017).

The government of Nigeria, like that of many other developing nations, views trade as the primary driver of its development strategies due to the implicit belief that trade can foster the creation of jobs, the expansion of markets, an increase in incomes, the promotion of competition, and the dissemination of knowledge (Ogbaji & Ebebe 2013). However, while international trade may spur economic growth, there is no assurance that the overall advantages will be shared equally across trading partners. Any commercial relationship has winners and losers, and Nigeria has not consistently used her trade potential and often time are at the losing end of international trade (Ogbaji & Ebebe 2013). A deeper understanding of the potential connections between FDI, GCF, and exports to economic development proxied by education and per capita income is expedients to proffer solution the inconsistency in the economic development drive of Nigeria.

### 1.3 Purpose of Research

The main goal of the research is to determine the impact of FDI, GCF, and export on economic development in Nigeria (1980 – 2021). For the study economic development was measured by proxy using *PCI* and education. Specifically, the study sub-objectives were to:

(i) determine the impact of FDI on Nigeria's *per capita* income (1980-2021),

(ii) examine how GCF has impacted on Nigeria's *per capita* income (1980-2021),

(iii) determine the impact of export on Nigeria's *per capita* income (1980-2021),

(iv) determine the impact of FDI on Nigeria's education investment (1980-2021),

(v) examine how GCF has impacted on Nigeria's education investment (1980-2021), and

(vi) determine the impact of export on Nigeria's education investment (1980-2021).

The study will help policy formulators, economic analysts and commentators draw up effective arguments on the need for Nigeria to improve on her current state of economic development by addressing the short falls of FDI, GCF and export trade affecting economic development indices such as per capital income (PCI) and education. The study will also be beneficial to government at all levels in Nigeria, as they will be exposed to the current potentials of FDI, GCF and export and the future effect on economic development. This will enable them develop appropriate policies that can address the challenges and set Nigeria on the path of sustained economic development.

## 1.4 Significance of the Study

The study will contribute to the body of knowledge on the impact FDI, GCF, and export trade on economic development. The study will be very important to policy makers, economic analysts, and researchers alike. Majority of the empirical literature has focused on economic development as measured by GDP; however, this study will highlight the impact of other measure such as PCI and Education as a measure of economic development. The study was also motivated by the researcher's current career in development finance. The study will serve as a framework for recommendation on the importance of capital generation for development purposes in Africa. Nigeria was chosen because it is the most populous country in Africa, and most of Nigeria's macroeconomic policies may be adopted by other African countries. Findings from the study will be beneficial to government at all levels in Nigeria, as they will be exposed to the prospect of FDI, GCF, and export in economic development. This will enable them develop appropriate policies that can address the challenges facing FDI, GCF, and export and set Nigeria on the path of sustained economic development.

It is important to conduct this search for empirical evidence that quantifies the impact of international trade on the economic development of Nigeria in order for the government to continue improving evidence-based policymaking, particularly in light of the implementation of economic diversification plans in Nigeria's export-driven economic development policies and, more specifically, after the adoption of the Africa Free Trade Agreement policy aimed at increasing trade among Africa nations. Policymakers will use the study's findings as a tool to decide whether Nigeria should continue its trade-led economic expansion. This study will serve as a resource for scholars who wish to conduct other studies on themes linked to trade.

## 1.5 Research Purpose and Question

The main goal of the research is to determine the impact of FDI, GCF, and export on economic development in Nigeria (1980 – 2021). The following research questions were addressed in the study:

i. What is the impact of FDI on Nigeria's *per capita* income (1980-2021)?
ii. How has GCF impacted on Nigeria's *per capita* income (1980-2021)?
iii. What is the impact of export on Nigeria's *per capita* income (1980-2021)?
iv. What is the impact of FDI on Nigeria's education investment (1980-2021)?
v. How has GCF impacted on Nigeria's education investment (1980-2021)?
vi. What is the impact of exports on Nigeria's education investment (1980-2021)?

# CHAPTER II: LITERATURE REVIEW

## 2.1 Introduction

Economic development, which encompasses both qualitative and quantitative advancements in a nations' economy, is the process by which low-income national economies are turned into contemporary industrial economies (Haller, 2012). The growth of each country's economy over the years is strongly impacted by Foreign Direct Investment (FDI), Gross Capital Formation (GCF), and exports (Hameed *et al*. 2012; Idowu & Awe, 2014; Pasara & Garidzirai, 2020). A consistent expansion in the economy, the creation of new jobs, and promoting an enhanced standard of living for current and future citizens, including expanded access to opportunities, are all aspects of economic development (Amanda, 2022).

Development, according to Todaro and Smith (2012) in Idowu & Awe, (2014), is a multifaceted process that includes important adjustments to social structures, cultural norms, and governmental institutions, in addition to economic growth, the eradication of extreme poverty, and the decrease of inequality. Majority of academics offered theories on development, including how it occurs and how it is thwarted. These theories include, among others, dependence theory, feminist theory, and modernization theory (Antwi, 2019). The important concepts in this study will be covered in this section, including FDI, GCF, Export, and Economic Development; theories of development; theoretical framework; the relationship between FDI, GCF, Export, and Economic Development; the literature gap; and a conclusion.

### 2.1.1 Concept of Foreign Direct Investment (FDI)

The role of FDI in promoting economic development has long been a contentious issue in literature. FDI is essential to a nations' economic development as it can help a nation to upgrade her infrastructure, boosts production, and create jobs. FDI makes a significant contribution to the expansion of an economy by closing the financial gaps caused by disparities in the terms of trade, the balance of payment, and other factors like savings-investment, revenue-planned spending, etc. (Shuaib *et al.*, 2015). FDI enables host nations to accomplish investment that surpasses their own domestic savings and increases capital formation by serving as a mechanism for obtaining advanced technologies and mobilizing foreign exchange reserves (Samuel, 2022).

FDI involves the residents of one economy having control over or a sizable amount of influence on the administration of a business that is based in another economy (Abidemi, 2019). The International Monetary Fund (IMF, 2014) defines FDI as a type of inflow in which investors pour their funds into a company in a different country with the intention of taking control of or significantly influencing the management of the company. Although there are various motivations for foreign investors' desire to make money in another nation, they essentially only have two options when determining how to use their money. Either they can choose the long-term, hands-on approach of investing in an enterprise in another economy with the objective of gaining control or exerting significant influence over management of the firm (which typically involves a stake in the company), or they can make a portfolio investment, buying stocks or bonds, often with the idea of making a short-term speculative financial gain without becoming actively involved in the day-to-day operations of the enterprise in which they invest. In the worst situation, investors can construct brand-new facilities from scratch while keeping complete operational control (IMF, 2014). The Organization for Economic Co-operation and Growth

(OECD) asserts that FDI is a vital component of a free and efficient international economic system and a key driver of national development (Samuel, 2022).

As beneficial as FDI can be, particularly for developing economies through technology transfer, increasing market liquidity, and increasing resource absorption, it can also have drawbacks, including a loss of domestic production control, the displacement of domestic businesses through unfair competition, and a negative balance of payments, particularly when the production of the foreign firm still depends on importing raw materials. The low performance of FDI in Nigeria compared to potential is caused by a number of variables. Internal disputes/clashes, corruption, and the related advance fee fraud, or 419 scams, are among them. The poor and inconsistent execution of policies, as well as the deterioration of infrastructure in the areas of telecommunications, water, transportation, and power supply, appear to be sabotaging efforts to attract FDI. Criminal activity, religious, and ethnic conflict, and societal upheaval are further FDI deterrents. The socio-economic instability in the oil-rich Niger delta area, pipeline sabotage, pipeline vandalism, and the kidnapping of foreign oil employees are all common occurrences that reduces Nigeria's potential gain from FDI (Idowu & Awe, 2014).

### 2.1.2 Concept of Gross Capital Formation (GCF)

Gross Capital Formation (GCF), formerly known as gross domestic investment, is made up of expenditures on new fixed assets for the economy as well as net changes in inventory levels (Gbenga & Adeleke, 2013). The purchase of plants, machinery, and equipment, as well as the building of roads, railways, schools, offices, hospitals, and private residences, as well as commercial and industrial buildings, are examples of fixed assets. They also include land improvements (fences, ditches, drains, and so forth). Inventories are the goods that businesses keep on hand to cover blips in demand or production as well as ongoing work (World Bank,

2022). Ugwuegbe and Uruakpa (2013) defines GCF as the share of current income that is saved and invested to increase output and revenue in the future.

According to Ugwuegbe and Uruakpa (2013), GCF may be divided into gross domestic private investment and gross domestic public investment. Government and public investment are included in gross public investment, whereas private investments are included in gross domestic private investment. Gross fixed capital formation and investment in inventory are the two subsets of GCF that may be broken down. The value of producers' assets of new and used non-financial assets is subtracted from the value of producers' non-financial asset sales to determine gross fixed capital formation. Investment in inventories, also known as the value of physical change in inventories or changes in inventories in the international system, refers to the changes in output stocks still held by the production units before they are sold, delivered to other units, or used in other ways, as well as the changes in product stocks acquired from other units that are intended for use in intermediate consumption or for final consumption (Statcan, 2018).

### 2.1.3 Concept of Exports

Modern economies place a great deal of importance on exports because they give people and goods access to a wide variety of new markets. Fostering economic trade, boosting exports and imports for the advantage of all trading parties, is one of the main goals of diplomacy and foreign policy between countries. Exports are goods and services made in one country and offered to customers in another (Pridayanti, 2014). The exporting country will profit from this since it will boost economic growth and national wealth. Exports boost the number of people working in the country, exports stimulate higher investment, technological development, and import growth, all of which support economic expansion (Kartikasari, 2017). Economic

development can then lead to more export growth by encouraging the use of technology and increasing the number of imports used as inputs for export-oriented production.

Any economy that wants to increase revenue and promote economic growth and development must export goods and services. As a result, it is essential for advancing the economy, which has influenced the notion of export-led growth. The success of exports is viewed as a catalyst for general development and a boost to the nations' earnings, opening up a path for progress by increasing the national income of the nation. Achieving full employment is one of an economys' primary macroeconomic goals, and exports serve as a catalyst for this goal because increased export demand necessitates increased output, which in turn generates additional job possibilities for citizens of the nation. Nigerian exports can be divided into oil and non-oil categories. Agriculture was the main export product and a big contributor to Nigeria's export profits before independence. However, the beginning of crude oil production, and particularly the oil boom of the 1970s, brought about major changes in the Nigerian economy, focusing all attention on the oil sector and neglecting the agricultural sector (Obinwata, Owuru, & Farayibi, 2016).

### 2.1.4 Concept of Economic Development

The term "development" has many different meanings and applications. A country's development is defined as progress in all areas of human endeavor. It alludes to the advancements being made in the nations' activities in economic, social, political, cultural, and environmental contexts. The perception of the states' function, authority, and importance in a nation determines its level of development, which has undergone significant discussion over the years and intermittent alterations. The public sectors' engagement in the growth of several economic sectors in Nigeria has a lengthy history. The drivers, approaches, and priorities for

balanced and sustainable national development, however, have changed significantly over time. During the pre-independence period, the colonial government put emphasis on encouraging technologies that could be handed to traders, local leaders, and wealthy peasant farmers interested in creating small plantations because it was interested in developing export commodities (Olomola, 2011).

Economic development is a process that creates economic, social, quantitative, and especially qualitative changes that lead to a cumulative, long-lasting growth in the real national product for the country's economy. It enables events having a negative economic and societal consequence, like unemployment or inflation, to subside (Haller, 2012). Economic development describes long-term adjustments to systems of manufacturing and distributing products and services that have an impact on peoples' wellbeing. Economic development is a process that leads to the social, technological, and economic advancement of countries (Vladimír, 2016). The essential components of societal development are the advancement of new knowledge and technology, increased prosperity, and the enhancement of health. Economic development is encouraged in social systems that are acceptable, have high levels of democracy and culture, sound economic governance, an effective higher education system, and high levels of inventive production (Coccia, 2018). For the study economic development will be measure using per capita income, education, and health.

### 2.1.5 Facts about Nigeria Economy (1960 – 2021)

Before Nigeria became an independent nation, the British dominated it for nearly a century in order to exploit the countrys' enormous natural resources, which were necessary to support their empire. The colonial rulers provided the necessary infrastructure and services to increase raw material exports to Britain. As a result of the colonialists' interest, trade and agriculture served as the foundation of the colonial economy. They implemented a number of policies to promote the development of industrial raw resources such as cocoa, cotton, groundnuts, rubber, cocoa beans, palm oil, and palm kernels. This results in the export of commodities playing a major role in the economy. Mustapha (2017) asserts that the increase in export demand led to the production of other significant agricultural products such as cocoa, groundnuts, cotton, and rubber. The commerce in the key agricultural commodities during this colonial era served as the primary source of foreign exchange gains. The promotion of significant agricultural products for export contributed to the issue of food insecurity because farmers, who typically worked on tiny plots of land with antiquated conventional technology, were responsible for the production of food crops.

Exploiting mineral resources such as coal, tin, columbite, petroleum, and gold was a significant economic activity during the colonial era. The gold mining operations were handled by British colonialists, while private foreign corporations were left to handle the other minerals. In order to preserve the market for goods made in their own country, their economic interests hampered the promotion of industrial activities, particularly manufacturing (Mustapha, 2017). The average annual growth rate of Nigeria's GDP per capita since the country gained independence in 1960 is 1.7 percent. The consistency of the nations' economic growth is a sign that it is getting close to reaching its long-term steady state balanced growth path. The lack of

changes in its capital-output ratio and real interest rates clearly demonstrates this. Between 1950 and 1959, the real GDP per capita was approximately $122. The GDP per capita peaked at roughly US$1804 on average between 1976 and 1979 and an average per capita of about US$ 1544 between 1960 and 1985 during the Structural Adjustment Programme (SAP). The nations' real GDP per capita has increased since the introduction of a democratic system. This may represent the beneficial impact of democracy on economic growth that has been documented in the literature. The GDP per capita growth during the post-SAP era was faster than during the pre-SAP era. Certainly, there were some successes throughout the time of the structural adjustment program (SAP). However, a variety of issues were brought on by the program, some of which the people could not handle. The SAP program was actually designed to be a long-term initiative that would progressively reform the economy and put it on the path to sustainability and growth. Unfortunately, the program's administrators lacked dedication to its long-term, reachable aims. The program's hasty implementation resulted in endemic inflation, a lack of foreign currency, increasing unemployment, low capacity utilisation, a fiscal deficit, and a general deterioration of the country's poverty status. This necessitated a quick examination of the policy (Mustapha, 2017).

In 1995, the dual exchange rate regime was put into place in an effort to stop the ongoing depreciation of the native currency. The goal was to establish a steady and reasonable value for the naira. As a follow-up, the Central Bank of Nigeria interfered in the autonomous market's activities in 1996 to make sure it had enough funding. Real GDP increased consistently from 101.0 billion to 113.0 billion between 1994 and 1998. The corresponding annual growth rates were 1.3% in 1994, 2.2% in 1995, 3.3% in 1996, 3.8% in 1997, and 2.4% in 1998. The GDP growth rate of 2.4% in 1998 suggested that the average Nigerian person was less well-off than

they were in 1997, given the estimated population growth rate of 2.83 percent and the GDP growth rate of 2.4% (Olomola, 2011).

The contractionary monetary and fiscal policy measures that the government adopted, partly in response to IMF and World Bank initiatives for lessened public investment in the economy, were a significant element contributing to this bleak picture. In 1994, the output per person in the population was approximately $1,053. It decreased to $1,047.0 in 1995 before slightly increasing to around $1,051.0 in 1996. 1,081.3 and 1,078.4 were the statistics for 1997 and 1998, respectively. Despite efforts by the government and the corporate sector to improve the situation during the time of managed deregulation, unemployment remained high. The published unemployment rates for 1994, 1996, 1997, and 1998 were 3.2%, 3.8%, 2.6%, and 14.0%, respectively (Olomola, 2011). However, economists and other social critics generally agreed that the advertised unemployment numbers were significantly higher than the actual ones. For those Nigerians who were able and eager to work, the economy was unable to produce enough jobs. Furthermore, a conducive climate for self-employment was not developed. During that time, inflation was another major issue. The inflation rate increased from 57.0% in 1994 to 72.8% in 1995 before declining to 29% in 1996. It sharply declined to 8.5 percent in 1997 but somewhat increased to 9.5 percent in 1998. As a result, throughout the period of directed deregulation, prices were often unstable. The government's demand management approach, which involved stifling demand by paying low wages and salaries, as well as overall reductions in government spending, may have contributed to the improvements seen in 1997 and 1998. The government returned to a managed currency rate in response to soaring inflation, dwindling non-oil export volumes, and increased strain on the external accounts (1993-1995). By arbitrarily setting the exchange rate, rigorously regulating the number and kind of imports and exports, and

enforcing import bans, high taxes, and a licensing system, the main goal was to reduce importation costs (Olomola, 2011). However, the current account remained in negative territory, reserves stalled, inflation continued to increase, and the real effective exchange rate increased significantly. By 1994, the parallel market premium had risen to a level not seen since the middle of the 1980s, over 200 percent, more than ten times the premium in 1992. Although various steps were implemented in an effort to divert demand from the parallel market, this system offered many opportunities for abuse and rent-seeking. Behavior on the parallel market was a reflection of both illegal activity and the spillover of unfulfilled lawful market demand (including suspected abuses for capital flight). The government came to the conclusion that efforts to stabilize the naira through administrative measures had failed early in 1995. Overall, the period saw persistent economic mismanagement, a deterioration of state institutions, and isolation from the rest of the world.

Nigeria has experienced an unbroken democratic government from 1999 to 2010. The civilian government was overwhelmed by the massive failures caused by the mishandling of the economy and the development of previous administrations at the time of its establishment in 1999. The nation has been stressed by the neo-liberal economic system to the point of virtual collapse. Unbearable levels of poverty, deteriorating infrastructure, heavy reliance on imports, high unemployment, a massive budget deficit, rapid inflation, a significant debt load, widespread corruption, and a general lack of security for people and their property were all problems that Nigeria had to deal with. Under the guidance of the Bretton Woods institutions, neo-liberal economists and development specialists took control of the economy rather than reinventing the development process (Mustapha, 2017). In Nigeria, the years 1999–2010 are appropriately referred to as the "reform era." In order to promote the private sector and alleviate severe

infrastructure bottlenecks, the government's primary economic reform goals were to: (i) maintain macroeconomic stability; (ii) reduce poverty; (iii) rebuild public sector institutions and enhance public service delivery; (iv) improve public sector governance; and (v) privatize the majority of public enterprises, particularly in telecommunications and power.

Macroeconomic management was emphasized during NEEDS implementation. The careful management of fiscal and monetary policy measures has improved macroeconomic stability, which is essential for economic growth. The decision to implement an oil price based fiscal rule, in which government expenditure was based on a responsible oil price benchmark, was a key element of the fiscal reform. This rule sought to smooth the expenditure pattern and, as a result, the pattern of Gross Domestic Product (GDP) development. Government revenue projections are based on conservative oil pricing of US$25 per barrel in 2004, US$30 per barrel in 2005, US$35 per barrel in 2006, and US$40 per barrel in 2007. This is true even though oil prices are rising. Government spending is no longer affected by changes in the price of oil thanks to the implementation of the fiscal rule based on oil prices. Consolidated fiscal surpluses of almost 10% of GDP in 2004 and 11% of GDP in 2005 replaced the government's historical deficits of 3.5% of GDP. To increase the external reserves, a sizable oil revenue windfall, estimated at US$9.57 billion as of April 27, 2007, was also saved (Olomola, 2011).

Prior to May 1999, there were over $4 billion in external reserves. By the end of 2006, there were $42 billion, and on May 4, 2007, there were $43.59 billion. When Nigeria decided to pay off its debts to the Paris Club and London Club, the high reserve level was quite helpful. For the debts owed by the Paris Club and the London Club, respectively, the government paid $12.2 billion and $1.4 billion. The funds were seized from the reserves' Excess Crude Proceed account. Since the middle of the 1980s, the nation has been disoriented, discouraged, and overtly

forbidden from continuing the regular course of planning. However, in 2009, the nation successfully staged a return to intentional development planning. It was mistakenly believed that the establishment of the Structural Adjustment Programme (SAP) in 1986 and reliance on market mechanisms were a green light to discontinue participation in regular national development planning activities. The preparation of the National Economic Empowerment and Development Strategy (NEEDS), State Economic Empowerment and Development Strategy (SEEDS), and Local Economic Empowerment and Development Strategy (LEEDS) at the Federal, State, and Local Government levels, respectively, was the most significant of the numerous attempts made since the end of the national planning approach to articulate and document the development agenda (Olomola, 2011).

As a statement of the government's intention to rank Nigeria among the top 20 economies in the world by 2020, the Nigerian Vision 20-2020 was created in 2009. It aims for a per capita income of no less than $4,000 per year and a minimum GDP of $900 billion. The first of three medium-term development plans, which is the first to be implemented in order to meet the defined objectives and targets in various economic sectors, was prepared in 2010 after the release of the Vision document. Since the middle of the 1980s, the nation has been disoriented, discouraged, and overtly forbidden from continuing the regular course of planning. However, in 2009, the nation successfully staged a return to intentional development planning. It was mistakenly believed that the establishment of the Structural Adjustment Programme (SAP) in 1986 and reliance on market mechanisms were a green light to discontinue participation in regular national development planning activities. The preparation of the National Economic Empowerment and Development Strategy (NEEDS), State Economic Empowerment and Development Strategy (SEEDS), and Local Economic Empowerment and Development Strategy

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### 2.1.6 Economic Development Indicators

#### 2.1.6.1 Human Development Index

Since 1990, the Human Development Report has released the human development index (HDI), a measure of well-being that goes beyond GDP. Living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and gross enrolment in education), and having a respectable standard of living (measured by purchasing power parity, PPP, income) are the three dimensions of human development that are combined into the HDI. In comparison to other metrics, such GDP per capita, the HDI offers a much more complete picture of a country's growth by examining some of the most fundamental aspects of people's lives and possibilities. According to the 2009 Human Development Report, Nigeria's HDI increased from 0.438 to 0.511 between 1990 and 2007 at an average yearly rate of 0.91%. Nigeria ranks 158th out of 182 nations in 2007 based on its HDI of 0.511, just behind Lesotho and Uganda. Nigeria, with a 47.7-year life expectancy at birth, is rated 167th out of 182 nations in this category, just behind Mozambique and Mali. It comes in at number 112 for adult literacy (behind Tanzania) and number 150 for gross enrolment ratio (behind Togo). Even when ranked according to GDP per capita (PPP US$), its value of $1,969 places it 141st out of 182 nations, just below Djibouti (Olomola, 2011; Mustapha, 2017).

### 2.1.6.2 Gross Domestic Product

In terms of the passionate and creative endeavors to grow the economy, the first ten years of the twenty-first century stand out. From 65.6 percent in 1996 to 54.4 percent in 2004, poverty incidence reduced. Nigeria's GDP, which is currently second only to South Africa's in Sub-Saharan Africa, has undergone a significant increase over the past ten years, rising from US$45.98 billion in 2000 to US$207.12 billion in 2008, placing it among the economies with the fastest growth rates globally. In 2008, the GDP grew at a 6.0% annual pace, up from 5.4% in 2000. Nigeria ranks ninth among the 17 nations that attained independence in 1960 in terms of per capita GDP, although it rose to third place behind Gabon and the Congo Republic in 2008. In spite of this, the GDP in Sub-Saharan Africa was much lower than the global average in both 2000 and 2008. In 2008, Nigeria's per capita income rose above the SSA and South Asian averages. Gross Domestic Product of Nigeria grew 2.7% in 2015 The GDP figure in 2015 was $492,437 million, Nigeria is number 24 in the ranking of GDP of the 196 countries that we publish. In 2021, the value reached around 173.5 trillion NGN, over 390 billion U.S. dollars. Moreover, Nigeria has one of the largest GDPs in Africa. The GDP in the fourth quarter of 2019, 2020, 2021 were about 39,577,340 Million, 40,014,483 Million, and 49,216,018 Million respectively (Olomola, 2011; Mustapha, 2017).

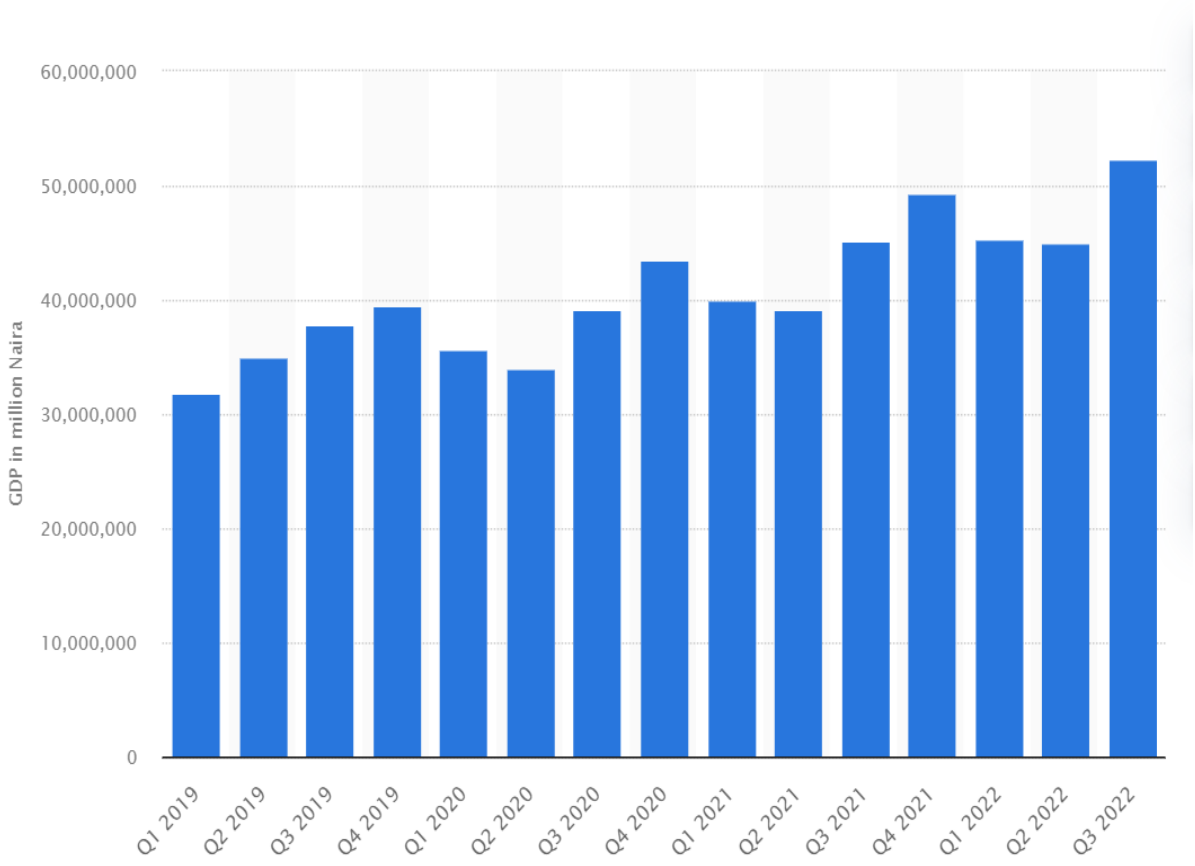


**Figure 2.1: GDP of Nigeria 2019 – 2022**

**Source: Statista (2022)**

### 2.1.6.3 Social Development Indicators

Nigeria ranks among the nations with the lowest life expectancy rates both in 2000 and 2018 when compared to other African nations that attained independence in 1960 and other nations like South Africa, Singapore, Indonesia, Malaysia, the Korea Democratic Republic, Hong Kong, and Belgium (Olomola, 2011; Mustapha, 2017). This demonstrates the degree of human decapitalization that has occurred in the nation over time. Between 2000 and 2018, the under-5 death rate decreased from 207 to 186 per 1,000, showing a minor improvement. However, this performance is poor in comparison. When compared to the other African nations that attained independence in 1960, Nigeria came in third in 2000 and fourth in 2008. Although

this places Nigeria among the nations with the lowest rank when compared to the average in other parts of the world, the country's performance in terms of market capitalization of listed businesses grew from 9.2 percent of GDP in 2000 to 24 percent in 2008. Additionally, life expectancy is lower than average in every part of the world, and between 2000 and 2008, the under-5 death rate increased (Olomola, 2011; Mustapha, 2017). Additionally, the world's total consumption of electric power is much lower than the average (Olomola, 2011; Mustapha, 2017).

### 2.1.7 Challenges to Nigeria Development Present and Future

#### 2.1.7.1 Poor Leadership

It is impossible to overstate the role that leadership plays in obtaining an acceptable degree of development. According to studies, having the proper leader has been a major factor in a country's economic progress (Glaeser et al., 2014). Glaeser et al. (2014) proved that there have been significant and widely distributed leader fixed effects in the post-1960 growth record, suggesting that some leaders have been linked to high growth while others have not. Others find compelling empirical evidence that the influence of national leaders, particularly in authoritarian environments, matters in explaining changes in growth through time. They accomplish this either directly by affecting the political climate or inadvertently through influencing institutions (Jones and Olken, 2004).

Rodrick and Subramaniam (2014) use the example of India's growth rebound since 1980 well before the market liberalization phase of the 1990s to illustrate the significance of leadership's attitude toward markets and business for growth in a country setting. The distinction between a "pro-market" and "pro-business" approach should be made with caution. The former focuses on reducing market barriers in order to favor new competitors and customers. The latter, on the other hand, is concentrated on increasing the profitability of established businesses, favoring producers and incumbents. Over time, different countries have followed different

sequences, and thus, different repercussions have resulted (Ndulu et al., 2008). The growth pattern in Nigeria exhibits a leadership dilemma and muddled influence. Traditional society's fundamental values have suffered severe damage, which has resulted in the denigration of effective leadership and the exaltation of poor leadership. For the nation to thrive and grow, leadership is a key factor. Political leaders from different generations have various viewpoints on growth.

Since 1970, Nigeria's leadership has not seen a significant change. The root and stock of leadership have remained constant, while leaders have occasionally been replaced. Misconceptions, disorientation, and denials about previous events continue to exist today. Through friendships, mischief, esprit de corps, and most recently, familial successions, these leaders are reproduced in office. The growth of leadership is not based on deeply held beliefs in a country's progress or on lofty aspirations and visions. Nigeria should provide people with honorable backgrounds the chance to rule. Such leaders ought to be trustworthy, deserving of respect, fearing God, courageous, committed to the advancement of Nigeria, resourceful, hardworking, sincere, and visionary. It is expected of good leaders to value excellence and reject the influence of sycophants. They must provide unselfish service rather than just lip service, and they must continue to be impartial, just, open, and responsible. Nigeria's development will speed up and the expected outcomes will be realized if it can solve the complex problem of weak leadership.

#### 2.1.7.2 Political Cultism

Political cultism is the term used to describe the absence of political accountability and the abuse of political influence in order to stifle popular will and maintain power at all costs. Participating in partisan politics in Nigeria is driven more by materialism and self-aggrandizement than by the urge to further the welfare of the populace. The electoral process has many serious flaws. The public's voices are silenced, and many political leaders favor

appointment over election to gain power. Walls of corruption, collusion, coercion, and undemocratic tendencies block access to the political market. Market participants create dynamics that contaminate other markets, including the labor, real estate, and capital markets. In other words, the political elites seize opportunities in these markets, which causes a serious decline in the markets and threatens the nation's possibilities for progress (Mustapha, 2017).

#### 2.1.7.3 Widespread Corruption

Nigerian corruption can take many different forms, including open looting of public funds as well as overt, covert, petty, silent, and artisanal forms. While avarice, mediocrity, and weak leadership are exalted, the fundamental principles of a rational society, such as professional ethics and honorable service, have been debased. Development in rural and urban communities has been hampered by widespread corruption at the grassroots level and in the corridors of power in both the formal and informal sectors. The chronic corruption, especially in the public sector, is mostly caused by the following elements: (i) failure to follow established operating standards. This gives employees and authorities the freedom to do their duties with a high degree of discretion and a propensity for corruption. (ii) Weak legal and judicial systems that allow for errors or slow down the administration of justice (iii) Immunity from prosecution is granted to some public office holders while they are in office. (iv) A lack of resources for case investigation and prosecution results in a weak law enforcement system. (v) Poor leadership: A corrupt leader, or one who is considered corrupt, often encourages their followers to follow suit. (vi) Internal administrative measures to prevent fraud in many government institutions are ineffective or nonexistent. (vii) Extremely bad working and living conditions that make it difficult to maintain a basic standard of living frequently motivate officials to steal and solicit bribes. (viii) Pervasive and widespread poverty, which puts a strain on the few people who hold public office. (ix) Greed and a strong tolerance for corruption in society (x) low risk relative to large profits from corruption: this continues to be a driving force behind corruption. The practice is made less

dangerous by the conviction that one can always "settle" with anyone who is supposed to check, stop, or punish corrupt behavior. (xi) Some of the elements that foster corruption include excessive materialism, a lack of an ethical atmosphere, a decline in moral standards, and a desire for power. (xii) Inadequate public education regarding rights, as well as the sanctions and effects of corrupt activities. High level government officials are under pressure from international corporations and even extremely well-off people to grant them speedy access to resources and contracts.

According to estimates, Nigeria lost $400 billion to corruption between 1960 and 1999. (Oyekunle, 2012). As of June 2007, the EFCC and the ICPC had recovered $613 billion from public officials, resulting in 225 convictions (Thisday, 2008). For the years 2002 to 2006, this amounted to around 4% of the Federal and State budgetary provisions. The results of a 2007 study by the NBS, EFCC, and others show how the private sector is linked to corruption. According to the report, 10% of all the companies surveyed admitted to paying bribes in 2006, and roughly 20% acknowledged that they routinely paid bribes to public officials. In addition to recording losses, the enterprises also wasted money that could have been invested in the growth of their operations and workforce. In addition, nearly 8% of them held off on fresh investments because of concern for corruption (Oyekunle, 2012). This is the serious threat that corruption poses to Nigeria's social and economic growth.

#### 2.1.7.4 Dominant External Influence

The major formulations of international dependence theory arise naturally from the international component of the underwhelming results of development efforts. The false paradigm model, which blames underdevelopment on bad and inappropriate advice given by well-intentioned but frequently ignorant, prejudiced, and ethnocentric international "expert" advisers from developed-country assistance agencies and multinational donor organizations, is the most pertinent of them. These experts provide intricate econometric models of development,

elegant theoretical frameworks, and high-level notions that frequently result in ineffective or erroneous policies. Institutional factors, such as the dominant and remarkably durable nature of traditional social structures (tribe, caste, class, etc.), the highly unequal ownership of land and other property rights, the disproportionate control by local elites over domestic and international financial assets, and the extremely unequal access to credit, make it difficult for these policies, which are frequently based on conventional surplus labor or structural change models of the Lewis or Chenery variety, to be effective in many countries (Olomola, 2011; Mustapha, 2017).

Additionally, it is claimed that top university academics, labor activists, senior government economists, and other civil servants all receive their education in institutions in developed countries, where they unknowingly consume an unhealthy amount of foreign ideas and elegant but useless theoretical frameworks. They frequently grow into ignorant or hesitant defenders of the current system of elitist policies and institutional structures because they lack sufficient understanding to effectively grapple with real development difficulties. Through donor organizations or foreign development partners, there are several ways that global ideas can affect development policy. Since the immediate post-independence era, this avenue of influence has been crucial for information, assistance, and technical support. Most of the development plans' creation and execution have been shaped by outside forces through a variety of conditions and technical assistance. More recently, the acceptance of democratic values and adherence to good governance have become conditions for donor support. Possibly the most painful external effect occurred in the 1980s, specifically during SAP and the immediate aftermath of SAP. During this time, the ten fundamental principles of the so-called Washington Consensus were adopted. These principles are as follows: a. Budget deficits should be minimal enough to be covered without resorting to the inflation tax. b. Public spending needs to be shifted away from politically sensitive areas that receive more funding than their economic returns can support and toward underutilized sectors with high economic returns and the potential to improve income distribution, such as infrastructure, primary health care, and primary and secondary education. c. Tax reform that lowers marginal tax rates and broadens the tax base. d. Financial liberalization,

with its ultimate goal being interest rates set by the market. e. The exchange rate needs to be consistent and at a competitive enough level to stimulate a quick increase in exports of non-traditional goods. f. Tariffs should be quickly implemented in place of quantitative trade restrictions, and they should be gradually lowered until a uniformly low rate of 10 to 20 percent is reached. g. It is important to remove obstacles to foreign direct investment. h. Privatization of state-owned businesses is a good idea. i. Laws that prevent new businesses from entering the market or limit competition ought to be repealed. j. The legal system should make sure that the informal sector has access to secure property rights at reasonable prices.

The country's deregulation, liberalization, and privatization programs during the 1990s have applied these ideas, which has led the government to shirk its duties in relation to infrastructure development, poverty reduction, and income redistribution. The advent of double-digit loan rates as a result of interest rate deregulation and poor management has diverted capital away from the real sector and made the diversification of the Nigerian economy's production base more of an ideal than a policy priority. The privatization initiative, which began in the late 1980s and was complicated and contentious, is still unresolved and has made society's rising inequality worse. In order to serve as the foundation for alternative, realistic, and sustainable development models to transform the economy and make Nigeria respectable in the community of countries, the thinking culture and the creation of strategic institutions are not properly challenged and fostered. While home-based knowledge, expertise, and innovative ideas are frequently disregarded in the search for workable solutions to the numerous development challenges begging for urgent attention in the country, Nigeria is frequently used as a ground for experimenting with imported and irrelevant theories (Olomola, 2011; Mustapha, 2017).

#### 2.1.7.5 High Cost of Governance

Nigerian governance is a costly endeavor. The expense of governance has increased as a result of the Federal Republic's adoption of the Presidential System of Government in 1979, which has three levels of government. From municipal government to state government to the federal level, holders of political office have received exorbitant compensation. Patriotic Nigerians and well-known leaders of the ruling party have recently expressed concern about the excessive allowances being given to National Assembly members. The Nigerian Bar Association's members even vowed to sue to stop such payments from being made. The main result of this is that over time, a smaller and smaller percentage of the budget has been set aside for capital projects, while a rising percentage has been given to recurrent expenses. It is therefore not surprising that, despite the astronomical rise in the value of the petro-naira over the years, the required degree of development has not been realized. Today, political office in Nigeria is the most lucrative industry. Genuine businesses blamed the challenging economic climate for their dismal performance, but politicians never raised the issue. They amass so much rent that they stymie national efforts to liberalize the political system and achieve good governance (Olomola, 2011; Mustapha, 2017).

Candidates for political office are made to spend a lot of money and bribe their way through the process in the hope that they will benefit once they gain political office. Usually, the slots go to the highest bidders. The political black market is clogged with middlemen, agents, godfathers, godmothers, thugs, and all other kinds of busybodies, which encourages price increases. Budgetary resources are typically used toward financing market operations. In view of the aforementioned, it is strongly advised that the government change the financing of political activities and the compensation of political office holders in order to ensure that Nigeria's democratic governance does not jeopardize current growth potential. It should be mandated that the Revenue Mobilization Allocation and Fiscal Commission participate actively in the reform and guarantee that there is a real alignment between the compensation of public office holders

and the public service at large. To avoid a situation where national funds that are supposed to be used to provide services for Nigerians are merely cornered by a small number of office holders and public servants on an annual basis, the criterion of allocating fantastic amounts to such officers in order to discourage them from engaging in corrupt practices needs to be reconsidered.

#### 2.1.7.6 The Issue of Political Leadership

Any prospect of reaching development goals, particularly the Vision 20-2020 goals, should be abandoned unless there is a significant change in political leadership in Nigeria. Since gaining independence, Nigeria has not seen a significant development breakthrough because leaders who failed to carry out the numerous development plans that were implemented between 1970 and 1985 have continued to lead various facets of the country's development up until this point. They have not been able to understand the vision for modern development or the rationality, selflessness, transparency, and accountability connected with the growth of a modern society. Nigeria has to be freed from the burden of outdated leaders who are unable to provide modern services and adhere to the standards of good government in the twenty-first century (Olomola, 2011; Mustapha, 2017).

The vices that have hampered the nation's progress since independence, including tribalism, nepotism, corruption, and election fraud, should also be avoided or discouraged by the new administration. To this purpose, it is strongly advised that civic responsibility and leadership education be incorporated into the secondary and tertiary curricula. Additionally, the Electoral Act, ICPC Act, and EFCC Act should be made required readings for undergraduates enrolled in Federal, State, and private universities in Nigeria.

### 2.1.7.7 Meeting the Security Challenges

State Police Are Required According to a wave of kidnappings and other criminal activities across Nigeria, people's right to personal freedom is currently seriously threatened. Therefore, maintaining law and order is crucial for the advancement of society's social, economic, and political systems. The Nigeria Police Force (NPF) is currently consolidated and listed only on the federal legislative list. The rising tide of crimes and racial violence, in addition to the necessity to protect life and property, are too much for the state governors, who are also the states' nominal chief security officers. They are unable to provide safety in their states. The federal government has fiercely opposed the employment of vigilante organizations, which certain states have been forced to deploy. However, filling the security gaps has proven impossible. The Commissioners of Police in their states answer to the Inspector-General of Police, whereas the Governors serve as the Chief Security Officers of their respective states. They frequently appear helpless in dealing with the security issues they face as a result of this. The timing is now right for Nigeria to institutionalize the State Police after ten years of continuous democratic rule. Therefore, it is strongly advised that the Nigerian Police Force be decentralized. To ensure that the police function effectively in each State, the appropriate reform and constitutional amendment should be made to take the police off the exclusive legislative list and make it a concurrent branch of government. To ensure that each state has the freedom to establish State Police, there should be an urgent constitutional revision.

### 2.1.7.8 State Creation

Economic Survival is Important Caution should be used when it comes to the question of state creation if the development gains of the previous ten years are not to be wasted. Partisanship and a variety of political and ethnic colorations appear to have tarnished the joy of state building and its developmental implications. Key aspects to consider include a possible state's economic sustainability, ability to provide necessary services, and ability to contribute

significantly to development. And if everything is considered, the number of states that need to be added might just be one or two. If not, a disproportionately large amount of public funds will continue to be spent on overhead and an overburdened bureaucracy, which will have a negative impact on the welfare and development of the populace. Unnecessary state creation will hinder the attainment of Vision 20-2020 objectives and worsen corruption's ability to spread throughout the nation. It will also weaken the public sector and threaten development and growth.

Infrastructure The federal government is obligated to provide the nation with public goods. Participation in supporting infrastructure initiatives, such as building roads, supplying electricity and water, establishing refineries, developing railroads, and building out infrastructure for R&D, should be given significant importance.

## 2.2 Theoretical Review

### 2.2.1 Theory of Modernization

The modernization theory contends that contemporary countries are more productive, have better-educated children, and provide more welfare to the poor (Karl, 2015). According to Levy (1967) in (Giovanni, 2012), societies will look alike as time goes on because the patterns of modernization are such that the more highly modernized societies become, the more they resemble one another. Modernization is a homogenizing process that produces tendencies toward convergence among societies (Goorha, 2012). Modernization is a gradual process that, over time, becomes both unavoidable and desirable.

According to Giovanni (2012), compared to old political systems, modernized political systems are better able to handle the functions of national identity, legitimacy, penetration, participation, and distribution. The modernization process is a gradual transformation rather than a revolutionary one. It will take years, or maybe centuries, to finish, and only time will be able to fully appreciate its immense influence. Modernization is a transformational process; in order for

a society to enter modernity, its traditional structures and values must be completely replaced by a set of modern values (Giovanni, 2012). Modernization is an imminent process because of its systematic and transformative nature, which incorporates change into the social system. The traditional and modern societies are the two major groups of societies in the world discussed in the modernization theory (Karl, 2015). Theorists contend that the norms, beliefs, and values ingrained in traditional civilizations are impeding their ability to grow. They must thus adjust to a contemporary way of life and focus on industrialization and capital accumulation. This theory essentially aims to increase the economic growth of supposedly traditional nations to enable them to obtain the primary and secondary essentials of existence by introducing advanced technology and economic planning to the third world (Giovanni, 2012).

The theory offers benefits, but it also has drawbacks that need to be fixed. First off, the theory aims to include just the third-world nations' actual economic and industrial progress. The theory does not include Amartyas' (1998) theory of development according to Giovanni (2012), which holds that it may be regarded as the process of extending the freedoms that individuals experience. Amartyas' (1998) in Giovanni (2012) posits that human development requires freedom, liberty, and self-esteem, all of which the theory ignores. Second, the modernization theory proposes that developing nations in the third world accept the modern nations' development procedures. It neglects to acknowledge that due to the various historical and cultural backgrounds of the nations, one system cannot be accepted by all of them (Godwin *et al*., 2017).

### 2.2.2 Theory of Dependency

According to proponents of the dependency theory, developed countries and multinational businesses rule over developing countries, which results in underdevelopment. The theory is viewed as a development of Marxist theory (Hein, 1992 in Dang & Sui (2015). The developed countries are regarded as the primary sources of dependent markets and finance for the developing countries. However, the benefits that the dependent relationship brought about were largely ignored by developing countries. Free trade became an easy means of "exploitation" for developed countries due to the unequal exchange in terms of commerce between developed and developing countries. By obtaining inexpensive supplies of food and raw materials, developed countries may take advantage of the natural riches of developing countries.

According to Dang and Sui (2015), to foster conditions for national development, it is necessary to control the monetary exchange rate, place more emphasis on fiscal than monetary policy, encourage a more effective government role in terms of national development, establish a platform for investments, give national capitals a preference role, encourage more effective internal demand in domestic markets as a foundation for strengthening the industrialization process, generate more internal demand by increasing worker wages and salaries, which will in turn positively affect aggregate demand in internal markets, develop a more effective coverage of social services, and allow the entry of external capital in accordance with priorities already established in national development plans.

The limited success of the phase and structural transformation models led to growing support for the dependency theory among developing countries. The developing countries that adopted the autarky policy, however, were a glaring example of the model's shortcomings. Countries, like China, Tanzania, and India, frequently endured stalled growth and ultimately

chose to open their markets once more (Todaro & Stephen, 2012). Industrialized economies of East Asia, including Hong Kong, Singapore, Taiwan, and South Korea, demonstrated via their experiences in the 1970s and 1980s that their success was a direct result of prioritizing trade with the advanced industrial countries.

Another criticism is that the dependency theory views relationships with multinational firms as exclusively being bad for countries, whereas in reality, these connections may be utilized to transfer technology. The theory asserted that impoverished countries depend on rich countries without providing any further details, failing to demonstrate the unique and essential dependency of the less developed countries on the metropolis. The theory minimizes internal development. It propagates the false notion that indigenous industries cannot develop via productivity. Additionally, the theory fails to explain how the developed countries access the third-world countries' economic surplus (Dang & Sui, 2015).

### 2.2.3 Theory of Globalization

The global mechanisms for increasing integration, with a focus on the realm of economic transactions, give rise to the theory of globalization. This viewpoint is comparable to the world-systems approach in this way. The attention and stress on cultural components and their global transmission, however, is one of the most significant characteristics of the globalization stance. Cultural ties between states, according to globalization researchers, are the most important contemporary components for development interpretation, rather than economic, financial, and political ties. The ability of technology to link individuals all over the world to a greater extent is one of the most significant variables in this cross-cultural communication (Giovanni, 2012). Three key principles serve as a concise summary of the basic presumptions that may be drawn from the theory of globalization. First, every civilization is

determined by cultural influences. Second, using the nation-state as the analytical unit is not crucial given the development of global communications and international relationships, which render this category less relevant. Third, more social sectors will be able to link with other groups globally as technology advancements become more standardized (Giovanni, 2012).

### 2.2.4 Linear-Stages-of-Growth Models

Development theory is a collection of ideas on how to bring about positive development in society (Todaro & Stephen, 2012). The linear stages of growth model are one of the most important development models. The Harrod-Domar Growth Model (1939) and Rostow's Stages of Growth Model (1960) in Todaro and Stephen (2012) are the two most prominent linear stage models. The Rostow (1960) Growth Stages Model: In this model, the shift to development takes place in stages. Each stage can only be accessible once the preceding one has been completed. All industrialized nations have passed through these stages, and emerging countries are currently passing through one of them (Todaro & Stephen, 2012). The following are the stages:

Traditional Culture: This is primarily a backward society with little access to science and technology, with the majority of its resources devoted to agricultural purposes. Agricultural productivity is primarily subsistence-level, and market engagement is minimal. The preparatory stage sees an increase in output that goes beyond agricultural products to include manufactured commodities. There is greater understanding around the use of technology in numerous areas of the economy as a result of improved savings and investment in education. There are lesser levels of market specialization at this stage (Vladimír, 2016).

Take-off stage: At this stage, both agriculture and industry undergo revolutionary transformations in order to achieve self-sustaining economic growth. There is more urbanization and a growth in the accumulation of human capital.

Drive to maturity: over a lengthy period of time, this stage occurs. Agriculture employs a smaller percentage of the population, while industry diversifies. The overall *per capita* income rises. Savings and investment rates are such that economic growth can be sustained automatically.

Stage of Mass Consumption: At this point, a countrys' demand changes away from food, clothes, and other essentials and toward luxury. To meet these demands, new sectors engage in mass manufacturing to keep up with demand (Dang & Sui, 2015).

The Harrod-Domar (1939) model of economic growth is an early post-Keynesian model. It's a word used in development economics to describe an economy's growth rate in terms of saving and capital productivity (Todaro & Stephen, 2012). The Harrod-Domar (1939) model, which is based on a linear function, is also known as the AK model, in which A is a constant and K is capital stock. This model demonstrates how substantial savings might be used to boost growth. By raising the capital stock, investments produce income and enhance the economys' productivity. The following assumptions underpin the Harrod-Domar (1939) model: Laissez-faire; where the government does not intervene, A closed economy with no international trade involvement, capital items do not depreciate since they have an indefinite lifespan, Constant marginal saving proclivity, and the interest rate is constant, and so forth. The model explains the economic process through which more investment results in increased growth. A country must divert some of its resources from its immediate consumption requirements and invest them in capital development in order to develop and prosper.

Savings refers to the process of saving resources from present use and it is not the sole factor that determines growth, but the Harrod-Domar (1939) model implies that it is a key component. It makes the case that every economy has to set aside a certain percentage of its

gross national product, if only to replace worn-out capital items. The model illustrates mathematically that development is directly tied to saving and indirectly related to the capital production ratio. Any amount of growth rate is dependent on how productive the investment is. Consequently, the more money an economy can save, the more it can expand, also upon consistent growth over time the economy will develop (Vladimír, 2016). A Capital-Output Ratio (COR) is used in the Harrod-Domar (1939) model. When the COR is low, a country may create more with less capital; but, when it is high, more capital is required for production, and the output value is lower. Because both variables have a straight proportional connection, this may be expressed in a simple formula of K/Y=COR, where K is the capital stock and Y is the output.

### 2.2.5 Structural Change Model

A transformation in the fundamental way a market or economy runs or operates is referred to as structural change in economics (Todaro & Stephen, 2012). The structural change model depicts how a country's economy evolves from subsistence agriculture to a contemporary industrial economy with more output for global consumption. The model posits two-sector surplus labor model considers two sectors in an underdeveloped economy: an overpopulated rural agricultural sector with marginal labor productivity equal to zero, which is because agriculture generally under employs workers and removing the excess supply of labor will not result in a loss of output (Lewis, 1954).

The other is a highly urbanized, industrial manufacturing and service economy, which attracts surplus labor. Lewis (1954) in Vladimír (2016). anticipates that employment will be created in the urbanized sector to absorb the extra labor being moved from the rural subsistence economy in this model. Lewis (1954) in Vladimír (2016) industrialized economy is governed by capitalists, labor wages are set rather being compensated according to the value conferred on the

commodities during production. The profit surplus over wages is subsequently re-invested in capital goods and equipment for the aim of capital accumulation, resulting in an increase in output.

In contrast to the Lewis (1954) model, the patterns-of-development researchers view more savings and investment as essential but insufficient prerequisites for economic growth. For a nation to go from a traditional economic system to a modern one, a number of linked changes in its economic structure are necessary, in addition to the accumulation of both physical and human capital. Almost all aspects of the economy are affected by these structural changes, including production, consumer demand composition, foreign commerce, resource consumption, and socio-economic issues including urbanization, population increase, and distribution (Vladimír, 2016).

### 2.2.6 Neoclassical Counter-Revolution Models

Neoclassical counter-revolutionary economists utilized three strategies in the 1980s to combat the international reliance model: the free market approach, the new political economy method, and the market-friendly strategy. Contrary to the international dependence model, these theories mainly argued that domestic problems brought on by heavy state intervention, such as inefficient resource allocation, government-caused price distortions, and corruption, were to blame for underdevelopment rather than the predatory actions of developed nations and international organizations (Freeman & Walter, 2021). Economists of the counter-revolutionary school, such as Bauer (1984), Lal (1983), Johnson (1971), and Little (1982), in Freeman & Walter, (2021) concentrated on promoting free markets and removing government-imposed distortions related to protectionism, subsidies, and public ownership as a response to the inefficiency of the public sector. The typical neoclassical growth theory, a branch of neoclassical free market theory, was actually inspired by the Harrod-Domar and Solow models. The Solow neoclassical growth model, which builds on the Harrod-Domar formulation, emphasizes the

significance of three factors for output growth: increases in capital (through savings and investments), increases in labor quantity and quality (through population growth and education), and advancements in technology (Solow 1956) in (Ajide, 2014).

In Solow's approach, technological change is delivered exogenously. Therefore, it would be reasonable to suppose that the growth rate will converge across nations at the same assumed pace of technological advancement. By expanding their domestic markets, developing nations can attract more domestic and international capital, accelerating capital accumulation and investment returns. As a result, developing countries tend to converge on higher levels of per capita income (Uwakaeme, 2015). Neoclassical economists searched for a solution for emerging nations by focusing on the market. Thus, the national development strategy becomes centered on policies of liberalization, stabilization, and privatization. Economic efficiency and growth in emerging nations are anticipated to increase as a result of international trade, private investments, and foreign help. But empirically, the models did not provide what was anticipated. Different countries have different per capita growth rates (Freeman & Walter, 2021). African nations that concentrated on these problems had average annual growth rates of just 0.5%. The absence of a strong and effective legal and regulatory framework, as well as the distinct institutional, cultural, and historical backdrop of emerging nations, prevents the free market from promoting economic progress in these nations (Uwakaeme, 2015).

### 2.2.7 New Growth Theory

Endogenous growth, often known as the "new growth theory," was established in the 1990s to explain why many less developed nations have performed poorly despite having adopted the policies recommended by neoclassical theories. The new growth model observes that technological change has not been uniform or exogenously transmitted in the majority of emerging countries, in contrast to the Solow model, which views it as an exogenous force (Uwakaeme, 2015). The theorists of new growth (Romer 1986; Lucas 1988; Aghion and Howitt 1992) in Altaee, Al-jafari, and Khalid (2016) and Mustapha (2017). connected technological

advancement to knowledge creation. According to the new growth paradigm, increasing returns to knowledge use rather than labor and capital are what lead to economic growth. The theory contends that lower levels of complementary expenditures in infrastructure, R&D, or human capital (education) seriously undermine the greater rate of returns predicted by the Solow model (R&D). Meanwhile, because of its potential for limitless growth, knowledge differs from other economic assets. Reuse of information or innovations is free. Therefore, investments in knowledge generation might result in long-term growth.

Additionally, once acquired, the knowledge could result in benefits for other businesses. The markets, however, were unable to generate enough new information since individuals are unable to fully profit from the creation of new knowledge through their own investments. Thus, it is believed that policy action is required to have a long-term impact on growth. Therefore, the new growth models encourage the involvement of the government and public policies in complementary investments in the development of human capital as well as the encouragement of foreign private investments in knowledge-intensive sectors like computer software and telecommunications (Mustapha, 2017). The new growth theory was attacked for ignoring the significance of social and institutional structures, despite the fact that it helps to explain the variation in growth rates among economies (Altaee, Al-jafari, & Khalid, 2016). Its assumptions are what limit its applicability. For instance, it regards the economy as a single firm and forbids the important reallocation of labor and capital within the economy during the process of structural transformation, which is necessary to generate growth. Additionally, there are a number of additional issues, such as inadequate institutional frameworks, unreliable capital and goods markets, and inadequate infrastructure, which provide the incentives for economic growth that developing nations lack (Freeman and Walter, 2021). Consequently, all of the variables that affect changes and their effects on the overall growth rate will require careful consideration on the part of policymakers.

### 2.2.8 Theory of Coordination Failure

The theory of coordination failure is based on the hypothesis that complementary activities may not be coordinated by the market. There are two possibilities where complementarities occur, which is when the presence or size of additional investments affects the returns of one investment. On the one hand, having all investments realized simultaneously would be best for all investors as a whole. On the other hand, an investor would not be wise to act similarly when he thinks that others might not follow suit. It is claimed that the market was unable to effectively coordinate the actions of investors. As a result, coordination problems cause the market to produce an equilibrium result that is less favorable than one in which resources would be distributed in the best way possible and all agents would benefit. Underdevelopment equilibrium is thus feasible (Hoff and Stiglitz 2000). The theory suggested a "strong push"—a publicly led, huge investment program—to achieve the best level of coordination since it can lead to complementarities in the rest of the economy. When the world watched the breakdown of centrally planned economies and the slow growth, stagnation, or worst outcomes of state-led industrialization in underdeveloped countries, "big push" tactics, like other early development models, fell out of favor (Mustapha, 2017). But recently, development economists have come back to emphasize the issue of complementarities between various requirements for successful development. Hoff and Joseph (2001) compared the economy to an ecosystem in which individual actions might have a ripple effect on subsequent actions.

The economy has experienced a number of equilibrium points as a result of the failure of many different people to coordinate, but not all of them are beneficial to all economy participants, and some are downright terrible. Because of this, the market is unable to coordinate everyone in order to reach the ideal equilibrium. Or, to put it another way, "A firm's productivity depends not only on its own efforts and capabilities but also on general economic conditions (such as the macroeconomic climate and the legal system) as well as on the actions of other enterprises, infrastructure, regulation, and other public goods" (Rodriguez-Clare 2005 in

Zidouemba & Elitcha, 2018). When enterprises indicate their unwillingness to spend as a result of negative expectations and fail to coordinate their operations, a poor equilibrium may result. And whereas in the past we believed that this implied that the economy would have a minor distortion, we now see that the combination of these slight distortions in behavior may result in extremely huge distortions. As a result, each equilibrium may be ineffective, and there may be several (Hoff and Joseph 2001). It is consequently impossible to deny the reality of coordination failure, which has gained importance. The government's proactive activities must be emphasized when the market process fails. According to coordination failure economists, in the numerous equilibrium situations mentioned above, enterprises can be coordinated by the government to move them towards an area of good equilibrium.

The theory of coordination failures provides policymakers with a number of crucial general lessons. The idea frequently emphasizes the issues with market failure that call for selective government involvement in order to make sure that several things perform properly together at once. However, it is clear that starting sustainable development is a difficult endeavor. A faulty policy can force an economy into an unfavorable equilibrium for years to come, possibly even into a worse equilibrium than the one with which the nation started (Hoff and Stiglitz 2000). Additionally, the models' suggested strategies lacked specifics on how the government should coordinate the economy. Therefore, these approaches to resolving coordination failure issues require greater caution from policymakers.

### 2.2.9 Theory of Global Systems

Although it acknowledges that there is no set of processes in the World Systems Theory that are relevant to all economies, this theory makes use of many levels of quantitative analysis. According to the World Systems Theory, trade specialization and resource transfers from emerging to less developed (or "core") states hinder the advancement of less developed nations since they bind them to core nations and promote peripheralization (Szymanski 1982 in

Giovanni, 2012). According to the World Systems Theory, this has resulted in a global hierarchy of unequal links. Changes governed by the "World System" may cause a country's ranking in the world order to shift. How international relations are portrayed by contemporary thinkers (Szymanski 1982 in Giovanni, 2012). In other words, wealth generated in peripheral or semi-peripheral regions benefits economies in core countries. World Systems Theory, a theory of development, examines many forms of capitalism that exist around the world (Reyes, 2001 in Giovanni, 2012). It adopts a global perspective and concentrates on international relations as a result. This relationship is governed by culture, which changes as society does. The World Systems Theory describes inequality by emphasizing various cultures and the state's function in cross-cultural interactions. According to Reyes (2001) in Giovanni (2012), the World Systems Theory was born out of the global expansion of capitalism in all of its forms, particularly during the 1960s. On this date, efforts to improve the living conditions and general state of affairs in Third World nations commenced. Such changes began to occur as a result of the expanding importance and impact of international trade relations relative to the waning importance of tasks and operations carried out by national governments. Scholars concluded that it is very difficult to describe new practices in the global economy using capitalistic theory due to the limitations of the dependency theory point of view. According to Reyes (2001), the majority of proponents of World Systems Ideology believe it is the only philosophy that connects the socialist countries of the twentieth century.

### 2.2.10 Export-led Development Theory

The policies of nations that have been successful in expanding their export markets are all referred to by the words "export-led growth," "outward-oriented," "export promotion," and "export substitution." Because export orientation promotes specialization, which raises national output and lowers local prices, many nations, especially LDCs, are motivated to adopt it. Exports help the economy use its resources more efficiently to generate goods and services that can then

be sold in excess to meet foreign demand. This increases national output and brings in foreign exchange earnings that may be used to finance economic growth (Krueger, 1985; Lal, 1992) in (Serena, Noon, & Abdullah, 2016).

## 2.3 Theoretical Framework

Starting with the link between FDI, GCF, exports, and economic development through interactions with domestic investment, transfer of technology and culture, and larger spillover effects will help expatiate on the relationships in a theoretical context. The study is based on theories of modernization, globalization, and linear stages of growth model. According to Giovanni (2012), modernization generates trends toward societal convergence and homogenizes societies. According to Levy (1967) in Giovanni (2012) societies will resemble one another through time because modernization trends are such that the more highly industrialized societies become, the more they resemble one another. Developed nations will invest directly in the third world by setting up branches of their businesses in the third world economy in an effort to enhance the growth of those nations. As the third worlds' economy develops, it is anticipated that it will resemble the developed economy. First world technology will also be exported to the third world, the domestic economy then experiences technical advancement as a result of "capital deepening," as proposed by Shuaib *et al*. (2015), Waqas (2016), Abidemi (2019), and Antwi (2019).

Additionally, the third world depends on the developed economy for finished goods. Therefore, both economies are dependent on each other for the production of raw materials for industry. The worldwide mechanisms for increasing integration, with a focus on the realm of economic transactions, give rise to the notion of globalization. The attention and stress on cultural components and their global transmission, however, is one of the most significant

characteristics of the globalization stance. The study posits that, the export of agricultural raw materials from Nigeria is one component of cultural transfer for economic advantage. GCF consist of gross domestic private investment and gross domestic public investment, following the Harrod-Domar Growth Model a country must divert some of its resources from its immediate consumption requirements and invest them in capital development in order to develop and prosper (Vladimír, 2016).

## 2.4 Empirical Review

### 2.4.1 Relationship Between FDI and Economic Development

Empirical research on FDIs' effects on growth focuses on either the overall impact (or net welfare) of FDI or particular elements of how it affects employment, technology, trade, entrepreneurship, and other components of the economy. FDI may build a worldwide network that streamlines the export and import of domestic goods, resulting in cost reductions and scale and scope economies for businesses (Benmamoun, & Lehnert, 2013). There has been much study of the relationship between FDI entry into host nations and economic development for years.

The causal relationship between FDI and GDP growth is theoretically ambivalent. According to the "FDI-led growth theory," on the one hand, FDI inflows can boost host-country growth by increasing capital stock, creating new job opportunities, and facilitating knowledge transfer (Shuaib *et al*. 2015). On the other hand, the "market size hypothesis" contends that higher FDI inflows might result from rapid GDP development that opens up new investment opportunities in the host nation (Ainabor *et al*., 2014). Awe (2013), Edmore and Odhiambo (2013), and Shuaib *et al*. (2015) posit a positive impact of FDI on economic growth, also FDI has negative effects on economic growth by undermining domestic investment, putting countries at greater risk of external conflict, and creating dependency (Evans *et al*., 2021). The relationship

of a causal link between FDI and economic growth is also feasible and supports the so-called "neutrality theory."

Driffield and Jones (2013) looked into how FDI and Official Development Aid (ODA) affected economic growth in developing nations. They tested the innate endogeneities using a system technique. Along with growth and interactions between institutions and other sources of growth, they also looked at the significance of institutions. When institutions are taken into consideration, they discover that total foreign capital has a favorable and considerable influence on growth.

Waqas (2016) examined the influence of FDI on Pakistan's gross domestic product (GDP) from 1966 to 2014. The study used ARDL-ECM approach (Autoregressive Distributed Lag-Error Correction Model) to concurrently detect long-and short-term impacts. Both in the short and long terms, FDI has a considerable beneficial influence on Pakistan's GDP growth. Furthermore, a convergence to the equilibrium route is suggested by the ECM coefficient. Over time, other variables like population growth and inflation also have a major impact on GDP.

Using time series data from 1981 to 2013, Shuaib *et al*. (2015) looked at how FDI affected the growth of the Nigerian economy. The study used secondary data from the National Bureau of Statistics or the Financial Reviews of the Central Bank of Nigeria (CBN) (NBS). Based on the empirical data, it was determined that FDI and/or economic growth in Nigeria had a substantial link. The outcomes supported the Harrod-Domar model, which demonstrated that the ratio of savings to investments directly affects the growth rate of national income (i.e., the higher the ability of an economy to save and invest out of a given GNP, the larger the growth of that GDP). The study recommended that the government implement free-trade policies and the removal of trade barriers, among other measures, as the economy's openness (measured by net

exports) is directly related to Nigerian economic growth. It also suggested that the government manage the foreign exchange market, ease the pressure on inflation, and improve the macroeconomic indices, which would lead to greater economic stability and growth.

Alabi (2017) investigated how foreign direct investment affected Nigeria's economic growth. Secondary data was used in the study, which covered the period from 1986 to 2017. The estimating methods included descriptive and regression analyses. According to the study's findings, FDI result in a rise in GDP. Additionally, an increase in domestic investment favorably affected gross domestic product. Increase in exchange was significant and helpful to economic progress. It was determined that while local investment was also positive but not significantly so at the 5% alpha level, foreign direct investment was considerable and beneficial to Nigeria's economic growth.

The effect of foreign direct investment on Nigeria's economic growth from 1999 to 2013 was examined by Adeleke, Olowe, and Fasesin (2014). Secondary data, mostly from the Statistical Bulletin, Annual Reports, and Statement of Accounts of the Central Bank of Nigeria, was used in this study. The regression analysis of the ordinary least square (OLS) method was used in this study to determine the relationship between and effect of direct foreign investment on economic growth. The results showed a direct correlation between economic growth and foreign direct investment inflows, which is statistically significant at the 5% level. This suggests that a strong economy is a favorable sign for foreign direct investment inflows. This suggests that FDI is a major contributor to economic expansion. The report advocated that the government liberalize the foreign sector in Nigeria so that all trade restrictions, such as unreasonable tariffs, import and export charges, and other levies, should be eliminated in order to attract investors.

John (2016) investigated the impact of foreign direct investment (FDI) on Nigeria's economic growth. The investigation spanned the years 1981 to 2015. Secondary data from the National Bureau of Statistics' publications and the Central Bank of Nigeria's statistical bulletin were used in the study. Multiple regression was used in the study. The findings indicated that the gross domestic product is positively and significantly impacted by foreign direct investment. Additionally, it was discovered that the gross domestic product is positively impacted by exchange rates, though not significantly. In contrast to the findings and opinions of certain scholars and other stakeholders who claimed that foreign direct investment has a detrimental impact on the growth of the economy, the study concluded that foreign direct investment has a favorable impact on economic growth in Nigeria. It was suggested that the government upgrade the nation's infrastructure in order to promote significant economic investment. The Central Bank of Nigeria should also develop policies that would aid in stabilizing the value of the naira in relation to other important world currencies, such as the US dollar. Investors' trust in the economy will increase as a result.

Ali and Hussain (2017) analyzed how foreign direct investment (FDI) has affected Pakistan's economic expansion. Time series data from the years 1991 to 2015 was used in the study. For the data analysis in the study, correlation and multiple regression analysis approaches were used. The study's findings indicated that FDI has a favorable effect on Pakistan's economic expansion. The report suggests that in order to increase FDI in Pakistan, the government needs to implement changes in the domestic market.

### 2.4.2 Relationship Between Export and Economic Development

Studies have been conducted to investigate the relationship between exports and economic advancement. Much research has demonstrated the positive correlation between

exports and economic growth (Elias *et al*. 2018) and Isiwu (2022); nevertheless, some investigations have found no such correlation (Furuoka and Munir, 2012). The debate over the relationship between a nations' exports and its economic performance may be traced back to the pioneers of contemporary economic philosophy Smith (1776) and David (1817) in (Elias *et al*. 2018). They emphasized that a country might gain significantly if it is a specialist in a particular commodity and exports it to other nations who lack it. Several empirical studies have been conducted to determine the role that exports play in the process of economic development. Singapore was used as a case study by Furuoka and Munir (2012) to investigate the connection between the causes of the East Asian (export dependence) and economic development. The empirical results showed that Singapore's strong reliance on exports does not appear to have had a detrimental impact on the country's economic growth, despite a long-term negative link between export dependency and economic growth.

According to Suraju (2018), one of the factors influencing a nations' economic development is its export industry. Suraju (2018) investigated the contribution that exports make to Nigeria's economic development. Secondary data comprising of oil and non-oil exports, which are the two main components of Nigerian exports was used for the study. As a result of expanded exploration efforts, oil export profits have increased government revenue, foreign exchange earnings, and GDP contribution. The conclusion reached was that exports are good for the Nigerian economy. It was advised that the government scale up efforts to export crude oil in order to continue to produce income and the foreign currency required to build the economy further, while also taking a risk to diversify the economy.

Elias *et al*. (2018) assessed how foreign commerce affected Nigeria's economic development. The studys' findings indicated a considerable influence of export trade on

Nigeria's economic advancement. The study recommended, among other things, that deliberate efforts be made by the government to fine-tune the various macroeconomic variables in order to provide an enabling environment to stimulate foreign trade by engaging in more export trade and effectively curtailing import trade that has a negative effect or strains the economy. The study also suggested that the underground economic activities of bunkering, smuggling, child and drug trafficking, and other related illegal activities should be stopped.

From 1980 to 2016, Duru and Ezenwe (2020) looked into the relationship between exports and economic growth in Nigeria. The Autoregressive Distributed Lag Bounds testing strategy for cointegration was the methodology used for the investigation. The results for both the short-run and long-run indicated that exports had a weak and negative association with economic growth in Nigeria. However, trade openness was found to be negatively related to economic growth in both the short and long term. This result suggests that the government's efforts to revive the industries and perhaps make manufactured exports a reality through the Economic Recovery and Growth Plan (ERGP), which is an export-led economic growth and development agenda, and the National Industrial Revolution Plan (NIRP), not producing the desired results. The findings for causality demonstrated a one-way relationship between non-oil exports and economic growth. However, no link between exports of products and services and economic expansion was discovered. The research thus advises the government to diversify its exports by locating a competitive alternative to crude oil exports. In order to expand the economy, the government should develop policies that encourage non-oil exports. In order to assure value addition, the government should also invest in technologies for the processing of primary export commodities. Additionally, a favorable environment is required in the export sector to attract investors. Additionally, the government ought to offer subsidies to export-

oriented producers like smallholder farmers and small and medium-sized enterprises that spur the economy.

Atoyebi et al. (2012) looked at the effects of global trade on Nigeria's economic expansion between 1970 and 2010. Since the data was a time series, the first step was to use the Phillips-Peron unit root test to determine whether the data was stationary in order to prevent erroneous regression results. Then it was determined using the Johansen (1988) technique if the non-stationary variables were cointegrated. According to empirical research, three variables—export, foreign direct investment, and exchange rate—are statistically significant at 5% and have a positive relationship with real GDP. In contrast, other variables, such as imports, the inflation rate, and openness, have a negative impact on real GDP. The study shows that, notwithstanding the coefficient of openness' nonconformity, increased global trade involvement enables Nigeria to profit both statically and dynamically from global trade. The volume of international trade as well as the structure of that trade with regard to high-tech exports have a favorable impact on the economy of Nigeria. Therefore, we urge the government to develop a suitable plan to diversify the economy through export promotion, encourage foreign direct investment, and maintain exchange rate stability in order to increase Nigeria's economic productivity and raise residents' standards of living.

Through cointegration and Granger causality tests, Daoud and Basha's (2015) study analyzed export-led growth (ELG) for three Arab nations (Jordan, Kuwait, and Egypt). Strong evidence exists for a long-term association between these countries' exports and real output between 1976 and 2013. For Jordan, there is a bidirectional causal relationship between GDP and exports, whereas Kuwait and Egypt only have a one-way relationship between exports and GDP.

The findings imply that in order to develop their small local markets, Jordan, Kuwait, and Egypt can export more. Additionally, by fostering economic growth, Jordan can encourage exports.

The validity of export-led growth was examined by Kaberuka, Rwakinanga, and Tibessigwa (2014) under the structural changes that occurred in Uganda throughout the study period. In the statistical method of cointegration and error-correction modeling, the study estimated the model (ECM). The entire labor force and exports were also examined for causal connections. Only the post-trade liberalization model showed a long-run, unidirectional link between exports and economic development (1988–2010). According to the study, trade liberalization only had a minimally negative effect on exports during the post-trade liberalization period, whereas the total labor force had no effect on exports. Therefore, it is advised that more effort be put into boosting the labor force and subsequently exports, which fuel economic growth. To identify the reasons for the declining contribution of exports to economic growth, more investigation is required. A stop to further economic liberalization is also advised because it was discovered that doing so slowed down the expansion of the economy.

In order to investigate the effects of the environmental, information and communication technology, and financial sectors' revenue on economic growth in Nigeria, Kromtit et al. (2017) evaluated the sectorial contributions of non-oil revenue to economic growth in Nigeria from 1981 to 2018. The primary estimating method used was the autoregressive distributed lag model. The Statistical Bulletin of the Central Bank of Nigeria served as a secondary source for the time series data for the study's revenue estimates for the environmental sector, the information and communication technology sector, the financial sector, and real gross domestic product. The study concluded that while the financial and information and communication technology sectors' revenues favorably and considerably contributed to economic growth in Nigeria, the

environmental sector's revenues had a favorable but negligible impact. The study suggests that non-oil revenues' sectoral contributions have been eroded. It has been determined that Nigeria's economic growth benefits from sectorial contributions from non-oil earnings. The government should review environmental factors and policies that may significantly boost the economy, and recommendations were made that the environmental, ICT, financial, and other non-oil sectors should receive the same amount of funding as the oil sector. This would mean that the sector would be better funded and equipped to ensure good outputs and contributions.

### 2.4.3 Relationship Between Gross Capital Formation and Economic Development

According to Pasara and Garidzirai (2020), examined the causal impacts of GCF and employment on economic development (GDP) in South Africa using time series data from 1980 to 2018. A Vector Autoregressive (VAR) model was used to analyzed the time series data, used for the study. According to the first models' findings, gross capital formation and economic growth GDP have a positive long-term connection. On the other hand, according to the first model, unemployment (UNEMP) has no short-term impact on economic growth (GDP). While the third model demonstrates an inverse association between GDP and UNEMP, the results of the second model suggest a strong and positive relationship between UNEMP and GCF. The report advised fiscal authorities to implement an expansive fiscal policy that encourages economic development, investment, and employment based on these findings.

Using time series data from 1960 to 2010, Ainabor *et al*. (2014) investigated the effect of capital formation on the economic growth of Nigeria. In order to ascertain the long-term link between the variables under consideration, the article assessed the stationarity and co-integration of the time series data and utilized an error-correcting procedure. According to a survey of the

literature in the study, the Harrod-Domar model has hardly ever been applied to examine the link between capital formation and economic development. The empirical research revealed that capital formation and economic development in Nigeria are significantly correlated and that the data are stationary and co-integrated.

Gbenga and Adeleke (2013) examined the link between savings, gross capital formation, and economic growth in the Nigerian economy between 1975 and 2008. With particular emphasis on the VAR causality test, the study used co-integration and the vector error correction model (VECM) as its estimating approach. According to the results of the co-integration regressions, there was a long-term association between the three variables. Along with supporting the close relationship between the three variables, the vector error correction model also demonstrated that GDP has a bigger impact on GNS and GCF than GNS and GCF have on GDP. Additionally, a causality test that looked at the relationships between GDP, GNS, and GCF all showed bidirectional causation, supporting the presence of their symbiotic relationship. The development of the real sector of the economy, the acceleration of the growth of capital formation, and the widespread mobilization of savings from the surplus sector to the deficit sector, if implemented into policy, will result in sustained long-term economic growth.

Ajose and Oyedokun (2018) explored the impact of capital accumulation on Nigeria's economic expansion. To determine the effect of capital formation and economic growth in Nigeria, the researchers used trend analysis and sophisticated econometric analyses. The unit root test was performed to establish whether or not the variables included in the investigation were stationary. To ascertain the long-term link between capital formation and economic growth in Nigeria from 1980 to 2016, the model was put through a co-integration test. The connection between capital production and economic growth in Nigeria from 1980 to 2016 was also

examined using the Granger causality test. The models were all stationary at the first difference, but none were stationary at level, according to the results. The findings also demonstrate a causal link between capital production and economic growth in Nigeria over the study period, as well as a long-term, substantial association between the variables analyzed. The findings also showed a weak negative correlation between capital formation and economic growth in Nigeria. The study makes the case that Nigerian policymakers should implement some investor-friendly policies that will encourage, promote, and draw more capital inflows (whether they are official or private inflows), as well as create an environment that is favorable and enabling for the growth of gross fixed capital formation. It is necessary to downplay speculative enterprises and invest in real economic areas.

Bakare (2011) investigated the viability of the Harrod-Domar model in Nigeria by applying it to the country's growth model. The production and growth of capital is the topic of this study. The relationship between capital formation and economic growth was investigated using the ordinary least square multiple regression analytical technique. In order to ascertain the long-term link between the variables under consideration, the study assessed the stationarity and co integration of Nigeria's time series data and utilized an error correcting procedure. The Harrod-Domar model has hardly ever been employed to investigate the relationship between capital production and economic growth, according to a survey of the literature. The empirical analysis discovered that the data were stationary and co-integrated and demonstrated that capital formation and economic growth in Nigeria are significantly correlated. The findings validated the Harrod-Domar model, which demonstrated that capital formation and the saving ratio are directly or indirectly related to the growth rate of national income (i.e. the more an economy is able to save-and invest-out of given GNP, the greater will be the growth of that GDP). The

econometric findings indicated that in order to increase capital formation and foster sustainable growth, the government must continue to encourage savings, foster an environment that is favorable for investments, and upgrade the economic infrastructure.

## 2.5 Gap in Literature

From the various reviews of literature, it is evident that there exists a relationship between FDI, GCF, and exports to economic growth. Persistent economic growth over time cumulates into economic development given that economic growth is a measure of economic development. Despite these enormous literatures, literature on the impact of FDI, GCF, and exports on other indices of economic development is lacking. Economic development is not limited to economic growth alone. Other variables such as *Per Capita* Income, education, and life expectance are necessary variables that measure economic development. From the various reviews of literature, little has been done to establish the possible links between FDI, GCF, and exports to education, life expectancy, and *Per Capita* Income.

Also, most studies have established the links between exogenous growth models and endogenous growth models to FDI, GCF, and export. However, little has been done to establish the link between core development theories such as the theory of modernization, globalization, and linear- stages of growth models to FDI, GDF, and export. This study is also unique as it bridges the gap. The study provides a holistic analysis of the impact of FDI, GCF, and export on economic development as opposed to isolated papers available in the literature. The study is also very unique as it provides an up-to-date analysis of the impact of FDI, GCF, and exports on economic development in Nigeria.

## 2.6 Summary of the Literature Review

This section briefly discussed the various concepts as they relate to the topic of discussion. The concepts of FDI, GCF, and export were discussed in relation to economic development. The section identified the major theories of development, viz. modernization, dependency, globalization, linear-stages of growth models, and structural change model. To understand completely the impact of FDI, GCF, and exports on economic development, it is important that the nexus between the concepts is established from theoretical and empirical stand-points. The importance of this study cannot be over-emphasized as trade played a leading role in bringing about global economic growth during the 19th and 20th centuries. In addition to its role as an "engine of growth" for the Least develop world economy, international trade has also played a pivotal role in bringing about rapid economic growth and development in several countries.

# CHAPTER III: METHODOLOGY

## 3.1 Overview of the Research Problem

In the host economies, it is considered that FDI should have a substantial impact on growth. in terms of creating new jobs and other economic advancement, yet Nigeria has over 133 million unemployed citizens, representing 23% of the population. Yet Nigeria, which is the top receiver of FDI in Africa, cannot fully affirm the impact of FDI. Also, capital formation has been characterized by fluctuations that might be to blame for the scarcity or inadequacy of social infrastructure, including roads, electricity supplies, and healthcare facilities in Nigeria. The rate and intensity of economic growth have not been sufficient, causing a gradual drop in capital formation (Nweke *et al*., 2017). The lack of domestic capital formation, coupled with other macroeconomic factors, has caused Nigerians external debt profile to increase. Nigeria relies on external borrowing to finance huge capital projects that a robust domestic accumulation of capital could have sponsored. Over the years, the high level of borrowing has put more pressure on the economy, as over 40% of the annual budget goes into debt servicing.

Additionally, the government of Nigeria, like that of many other developing nations, relies mainly on imported finished products to consume. Little attention is given to the development of local industries. Export, which is a primary driver of economic development due to the implicit belief that trade can foster the creation of jobs, the expansion of markets, an increase in incomes, the promotion of competition, and the dissemination of knowledge, Reinhart *et al*. (2012) have not maximized the export potential of Nigeria, covering both oil and non-oil exports.

## 3.2 Operationalization of Theoretical Constructs

The study is based on theories of modernization, globalization, and linear stages of growth model. Developed nations will invest directly in the third world by setting up branches of their businesses in the third world economy in an effort to enhance the growth of those nations. As the third worlds' economy develops, it is anticipated that it will resemble the developed economy. First world technology will also be exported to the third world, the domestic economy then experiences technical advancement as a result of "capital deepening," as proposed by Shuaib *et al*. (2015), Waqas (2016), Abidemi (2019), and Antwi (2019). The investment from the developed economy will come in the form of FDI and trade these transactions will impact on the *per capita* income and educational sector of the economy. Development if proxied by *per capita* income and educational investments. Furthermore, the export of agricultural raw materials and crude oil from Nigeria is one component of cultural transfer for economic advantage. This would result to export earnings and capital accumulation in the long run. Based on the Harrod-Domar Growth Model a country must divert some of its resources from its immediate consumption requirements and invest them in capital development in order to develop and prosper (Vladimír, 2016). Export earnings and capital accumulation will also impact on the *per capita* income and educational sector of the economy.

## 3.3 Research Purpose and Questions

The main goal of the research is to determine the impact of FDI, GCF, and export on economic development in Nigeria (1980 – 2021). The following research questions were addressed in further detail:

(i) What is the impact of FDI on Nigeria's *per capita* income (1980-2021)?

(ii) How has GCF impacted on Nigeria's *per capita* income (1980-2021)?

(iii) What is the impact of export on Nigeria's *per capita* income (1980-2021)?

(iv) What is the impact of FDI on Nigeria's education investment (1980-2021)?

(v) How has GCF impacted on Nigeria's education investment (1980-2021)?

(vi) What is the impact of exports on Nigeria's education investment (1980-2021)?

## 3.4 Research Design

The study used a time series design, a type of longitudinal research that involves analyzing "huge series of data made on the same variable consecutively through time" (Shadish *et al*. 2002, p. 172). The majority of the time, observations are gathered by repeatedly measuring analytical units that are comparable but typical of entirely different circumstances. The suggested number of observations for valid inference is a key differentiator between time series research designs and other longitudinal designs like cohort or panel designs (Schnell, 2021). One of time series design advantages is how elegantly the presentation of a data aids in communicating the study's goal (Schnell, 2021). Only the time series design offers a continuous record of changes in the experimental variables throughout the whole financial year. One figure can effectively tell the "story" of the data by showing the variable of interest on the y-axis and the total number of observations on the x-axis (Schnell, 2021). The time-series design plays the role of a heuristic

tool and it is an essential source of post hoc hypotheses regarding observed, unexpected changes in economic variables when combined with a meticulously maintained history log of potentially relevant nonexperimental events (Engel, Corsaro, & Ozer, 2017). Overall, time series design offers a clear framework for describing longitudinal patterns and are a crucial tool for economic evaluation (Schnell, 2021).

## 3.5 Data Collection Procedures

Time series data from secondary sources including the Central Bank of Nigeria (CBN) and the Nigeria Bureau of Statistics (NBS) database was used for the study. The dataset spanned the between 1980 to 2021.

## 3.6 Data Analysis

The data collected was analysed using ordinary least square regression techniques. Based on the unit root and cointegration test; Autoregressive Distributed Lag (ARDL) model and Vector Error Correction Model (VECM) was adopted.

### 3.6.1 Model Specification

This study followed Benmamoun and Lehnert (2013), Shuaib *et al*. (2015), Waqas (2016), Evans *et al*. (2021), modelling of the impact of FDI on economic growth. Also, the models by Furuoka and Munir (2012), Elias *et al*. (2018), and Isiwu (2022), as well as Gbenga and Adeleke (2013) and Pasara and Garidzirai (2020) were adopted for the study. The model indicated that Gross Domestic Product (GDP) is a function of FDI, GCF, and exports. The study explored a linear relationship between *per capita* income and education as a proxy of economic development and FDI, GCF, and exports. The model is based on the following OLS equations:

$$PCI = \gamma_0 + \gamma_1 l_n FDI_t + \gamma_n l_n FDI_{nt-1} + \mu_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.1)$$

$$PCI = \gamma_0 + \gamma_1 l_n GCF_t + \gamma_n l_n FDI_{nt-1} + \mu_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.2)$$

$$PCI = \gamma_0 + \gamma_1 l_n EXP_t + \gamma_n l_n FDI_{nt-1} + \mu_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.3)$$

$$EDU = \gamma_0 + \gamma_1 l_n FDI_t + \gamma_n l_n FDI_{nt-1} + \mu_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.4)$$

$$EDU = \gamma_0 + \gamma_1 l_n GCF_t + \gamma_n l_n FDI_{nt-1} + \mu_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.5)$$

$$EDU = \gamma_0 + \gamma_1 l_n EXP_t + \gamma_n l_n FDI_{nt-1} + \mu_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.6)$$

Where,

$L_n$= Natural Log, PCI = *per capita* Income, FDI = Foreign Direct Investment, GCF = Gross Capital Formation, EXP = Export, EDU = Education, t= Time Trend, μ= Error term, $\gamma_0$ = Constant Term, and $\gamma_1$ $and$ $\gamma_2$ = Coefficient.

### 3.6.2 Unit Root Test

The testing procedure for the ADF test is the same as for the Dickey–Fuller test but it is applied to the model.

$$Y_1 \propto Y_2 > 0$$

$$\Delta Y_t = \beta_0 - \beta_{1t} + \lambda Y_{t-1} + \cdots, \sum_{i=1}^{\rho} \alpha_i \Delta Y_{t-1} + \varepsilon_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.7)$$

where Y is the single time series for (PCI, EDU, FDI, GCF, and EXP) under investigation and β the parameter coefficient, $\varepsilon_t$ is a pure white noise error term, $\alpha_i$ and $\lambda$ are coefficients of the lag terms and $\rho$ is the length of the lag terms which is automatically selected using Akaike information criteria. If $\lambda$ is 0, then there is unit root, but if it is less than zero (negative), the null hypothesis is rejected and the alternative that the series is stationary is accepted.

### 3.6.3 Cointegration Test

Since the majority of macroeconomic indices show trends or/and seasonality, they are not stationary at the moment. A cointegration test is used to look at how the variables in the model are related over the long term. This was used to ascertain the possibility of a long-term relationship among the macroeconomic variables in the study.

$$\Delta Y_1 = \beta_1 \Delta X_{t-1} + \cdots + \beta_{k-1} \Delta X_{t-k-1} + \pi X_{t-k} + \mu + \varepsilon_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.8)$$

### 3.6.4 Error Correction Model (ECM)

Variables must be integrated in the exact same sequence for a long-term relationship to exist. Cointegration is the potential for long-term convergence between series. In the long term, series change through time to reach their equilibrium state. The VECM approach is employed with a word for error correction (CointEq). The CointEq coefficient must be negative and statistically significant in order to show that the error-correcting mechanism is applicable.

### 3.6.5 Granger – Causality Test

This test examined if FDI, GCF, and export cause economic development or whether economic development is caused independently of FDI, GCF, and export. Granger causality is estimated by the F-distribution. We reject the null hypothesis if the calculated F-value is greater than the crucial F-value at a 5% level of significance.

### 3.6.6 Research Design Limitations

Serial autocorrelation, multicollinearity of variables, and heteroscedasticity are only a few of the drawbacks of time series design. Additionally, there are issues with extrapolating results from a single study, getting the right measurements, and precisely defining the right model to describe the data. Due to the evident difficulties in data collection, it is also impractical

in the field of criminology. The design calls for the gathering of the same data set again over time, although this cannot be ensured given the introduction of COVID-19.

## 3.7 Conclusion

This section discussed briefly the overview of the problem, the research design, and the method of data analysis. The study adopted a time series research design and collected secondary data for analysis in accordance with the aforementioned research questions. The ordinary least squares approach was used to analyze the data after taking the limitations of the time series design into consideration.

# CHAPTER IV: RESULTS

## 4.1 Diagnostic Results

### Descriptive Statistics of Variables

The result presented in Table 4.1 shows the statistics for education, export, FDI, GFC, and PCI. The result reveals that the mean contribution of education to the economy for the period of the study was N717.07 billion, with a skewness of 1.24, which implies that the contribution of education was highly skewed to the right of the distribution because the skewness is above +1. Also, Kurtosis measures the pawedness and flatness of the series. The kurtosis was 2.99, which means that the distribution of education is platykurtic, that is, there are fewer and less extreme outliers than a normal distribution. The mean contribution of exports to the economy was N5,715.124 billion in the period of the study, with a skewness of 0.78, which implies that exports were moderately skewed to the right because the skewness was between 0.5 and 1. The result further showed that export had a kurtosis of 2.22, which means that export was platykurtic because the value was less than 3, which implies that there are fewer extreme outliers than in the normal distribution.

The mean of FDI was N360.9421 billion in the period of the study, with a skewness of 0.81, which implies that FDI was moderately skewed to the right because the skewness is between 0.5 and 1. FDI had a kurtosis of 2.29, which means that FDI is platykurtic because the value is less than 3, which implies that there are fewer extreme outliers than in the normal distribution. GCF had a mean of N7,957.668 billion and was highly skewed to the right, with a skewness of 2.49. The result further shows that the GCF had a kurtosis of 9.346, which means that the GCF was leptokurtic because the value was more than 3, which implies that there are more extreme outliers

than in the normal distribution. PCI had a mean of N782,855.8 and was moderately skewed to the right with a skewness of 1.02. The result further shows that the PCI has a kurtosis of 2.70, which means that the PCI is platykurtic because the value is less than 3, which implies that there are fewer extreme outliers than in the normal distribution.

The results of the Jarque-Bera statistics for education, export, FDI, GCF, and PCI were 10.53260, 5.289057, 5.329588, 111.2284, and 7.31, respectively, and further away from zero (0) and suggest that the variables were not normally distributed. Given the various findings from the descriptive statistics, a unit root test was carried out to further test the normality of the variables. The huge standard deviation signifies Nigeria's great economic performance in the years under review, which is evident in the wider gap between the minimum and maximum values of both the variables under consideration.

**Table 4.1: Descriptive Statistics of Variables**

| | EDU (Billion) | EXP (Billion) | FDI (Billion) | GCF(Billion) | PCI |
|---|---|---|---|---|---|
| Mean | 717.0704 | 5,715.1240 | 360.9421 | 7,957.6680 | 782,855.8 |
| Median | 260.1695 | 1,867.9540 | 132.3652 | 2,473.4730 | 80,742.33 |
| Maximum | 2,969.3160 | 19,910.5300 | 1,360.1450 | 58,293.9500 | 3,435,621. |
| Minimum | 3.3985 | 7.5025 | 0.1456 | 87.14485 | 131.3989 |
| Std. Dev. | 981.6922 | 6,515.7610 | 421.3513 | 12,320.0200 | 1,034,536. |
| Skewness | 1.2415 | 0.7878 | 0.8107 | 2.4913 | 1.0238 |
| Kurtosis | 2.9976 | 2.2168 | 2.2996 | 9.3469 | 2.7038 |
| Jarque-Bera | 10.5326 | 5.2891 | 5.3296 | 111.2284 | 7.3119 |
| Probability | 0.0052 | 0.0710 | 0.0696 | 0.0000 | 0.0258 |
| Observations | 41 | 41 | 41 | 41 | 41 |

**Source: Author (2022)**

***Education***

Figure 4.1 below shows the contribution of the educational sector to the real GDP from 1980 to 2021. From the graph, it can be seen that the educational sector had an upward trend in its contribution to the GDP. Its highest contribution from the graph was around 2018, with the lowest being 1980. This suggests that there has been a consistent increase in the contribution of the educational sector to the GDP, which may be attributed to policies targeted at the sector. From the graph, the sector maintained a steady upward trend between the years 2000 and 2011 before experiencing a sharp rise up until 2018. This may be attributed to the conversion from military government to civilian government (this suggests a change in government and economic policies). Secondly, this period ushers in an era of the rapid growth of information and communication technologies in Nigeria, i.e., GSM and the internet. Hence making the sharing of educational information easier. The graph also revealed a drop in the contribution of the educational sector to the real GDP in 2019 before it began a steady rise in 2020.

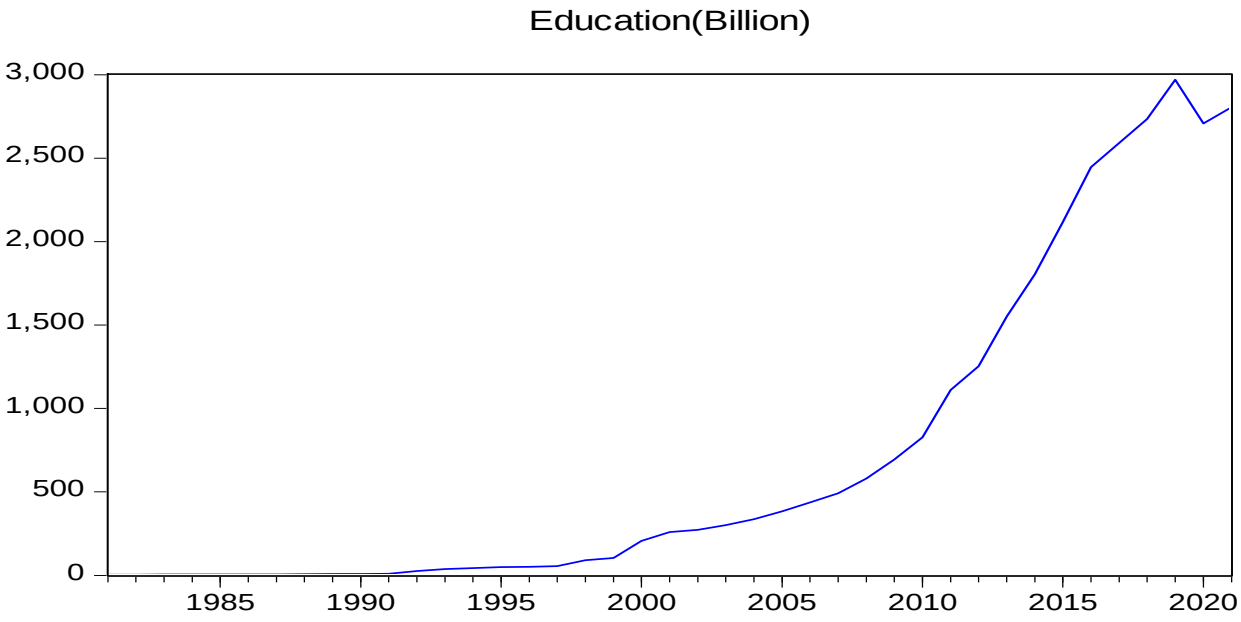


**Figure 4.1: Contribution of Education to GDP (1980 – 2021)**

**Source: Author (2022)**

**Export**

Figure 4.2 below shows the contribution of exports to the real GDP from 1980 to 2021. From the graph, it can be seen that the export had a zig-zag trend moving in an upward direction in its contribution to the GDP. Its highest contribution from the graph is around 2019, with the lowest being 1980. This suggests that exports have been characterized by instability, which may be attributed to changes in economic policies over the years by various administrations, poor product quality, and poor performance of products in foreign markets.

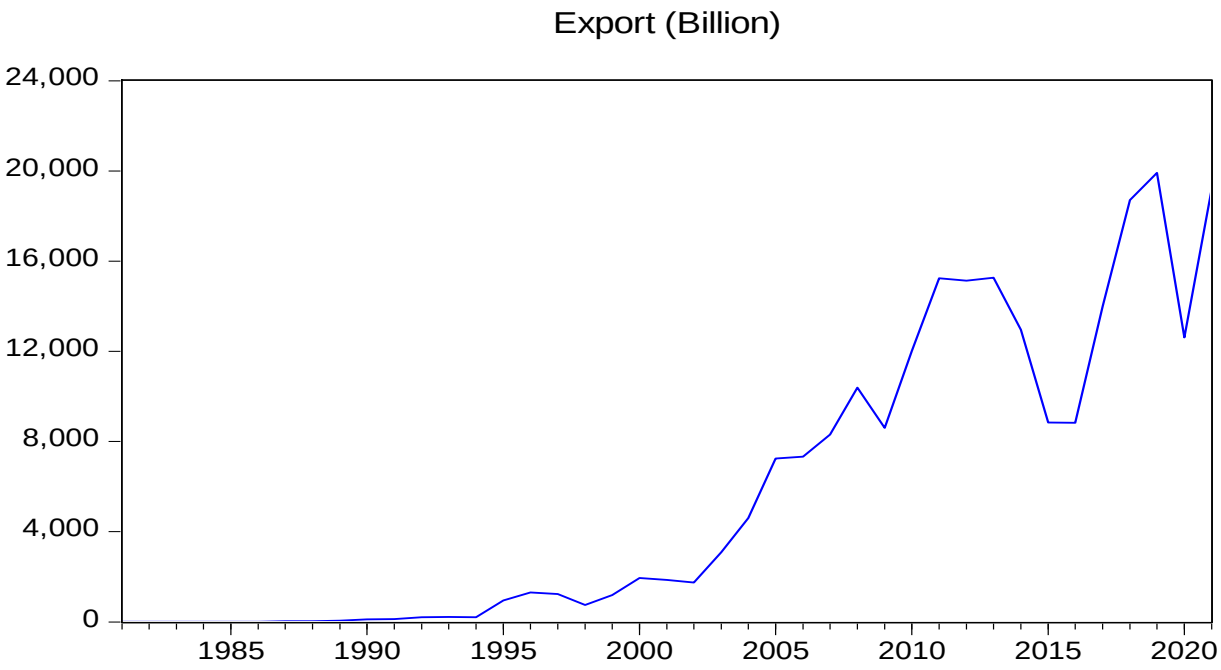


**Figure 4.2: Contribution of Export to GDP (1980 – 2021)**

**Source: Author (2022)**

**FDI**

Figure 4.3 below shows the contribution of FDI to the GDP from 1980 to 2021. From the graph, it can be seen that FDI had an unstable contribution to GDP. The curve exhibited a slight upward trend before taking a downward trend. Its highest contribution from the graph is around 2011, with the lowest being 1980. The graph also revealed that there was a steady upward trend from 1998 to 2004, a sharp rise from 2004 to 2005, and a slight dip in 2006 before continuing its upward climb. Some major dips are seen in 2009, 2014, and 2018. This suggests that there have been fluctuations in FDI, which may be as a result of changes in government policies, insecurities, and the high company tax rate.

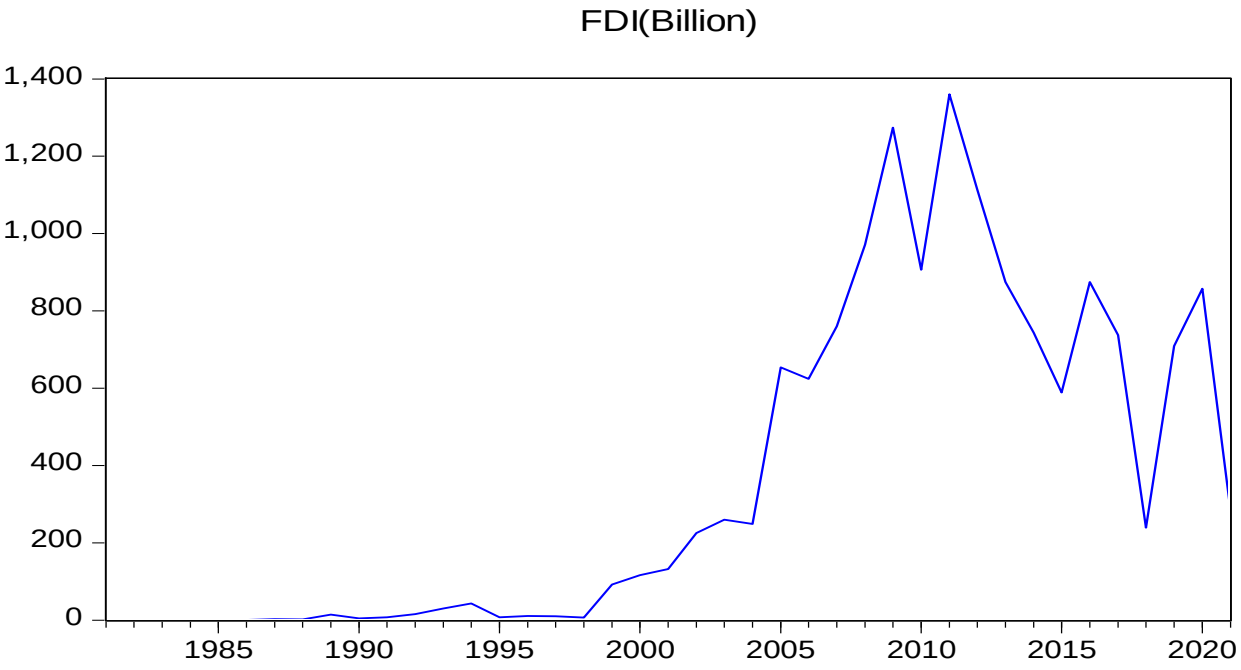


**Figure 4.3: Contribution of FDI to GDP (1980 – 2021)**

**Source: Author (2022)**

**GCF**

Figure 4.4 below shows the contribution of the GCF to the real GDP from 1980 to 2021. From the graph, it can be seen that GCFs' contribution to the GDP had a smooth upward trend. Its highest contribution from the graph was around 2021, with the lowest being 1980. The steady upward trend from 1992 to 2018 may be attributed to an increasing population and, hence, a relative increase in capital accumulation due to domestic savings and investment.

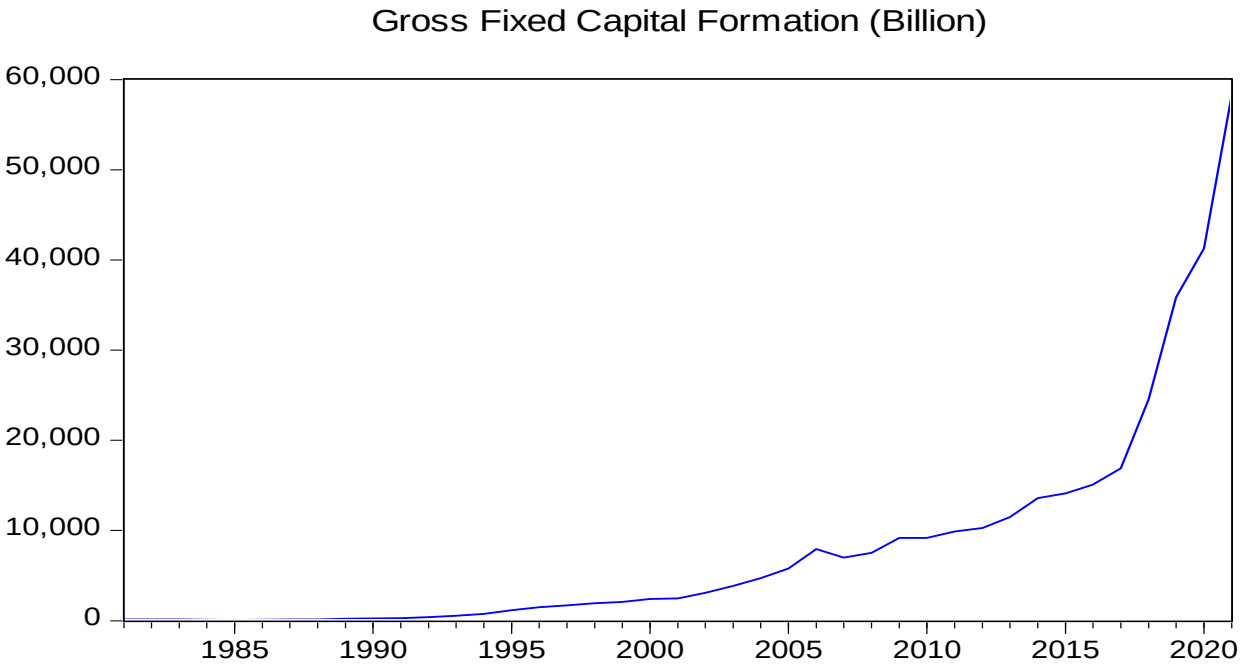


**Figure 4.4: Contribution of GCF to GDP (1980 – 2021)**

**Source: Author (2022)**

**PCI**

Figure 4.5 below shows the PCI from 1980 to 2021. From the graph, it can be seen that the PCI increased until it peaked in be seen that the PCI increased until it peaked in 2012, from where it has sustained a downward trend. This suggests the welfare of Nigerians over the years was at its best in 2012. It also suggests that 2012 was the last time the growth of the economy had any significant impact on the citizens.

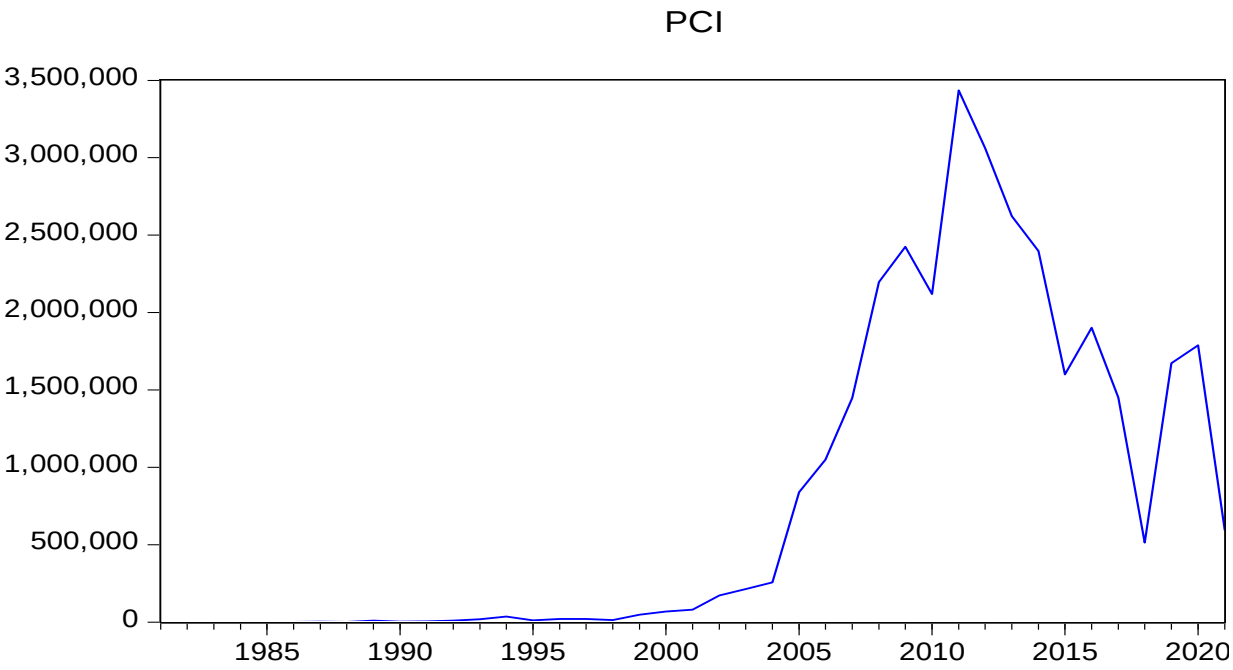


**Figure 4.5: PCI (1980-2021)**

**Source: Author (2022)**

**Unit Root Test of Stationarity**

Presented in Table 4.2 is the result of the Augmented Dickey-Fuller test for education, export, FDI, GCF, and *Per Capita* Income (PCI). From the result, education, export, FDI, and *Per Capita* Income (PCI) were stationary at first difference, while GCF was stationary at level. Education was stationary at 10% significant level, while export, FDI, GFC, and *Per Capita* Income (PCI) were stationary at 1% significant level. Given that the unit root test comprises of I (0) and I (1) the ARDL model and VECM was used to achieve the stated objectives.

**Table 4.2: Augmented Dickey-Fuller Test for Variables**

| Variables | Level | First Difference | Second Difference | Degree of Integration |
|---|---|---|---|---|
| Education | 0.8389 | -3.4239* | -2.6185 | I (1) |
| Export | -2.6866 | -5.9609*** | -6.5715*** | I (1) |
| FDI | -1.1450 | -7.7060*** | -8.2580*** | I (1) |
| Gross Capital Formation | 7.8016*** | 4.3931*** | 2.7181 | I (0) |
| Per capita Income | -2.9675 | -4.1248*** | -6.0847*** | I (1) |

****, *** stand for 5% and 1% Significance Level Respectively**

**Source: Computed from Secondary Data (1981-2021)**

## 4.2 Impact of FDI on Nigeria's *per capita* income (1980-2021)

**Table 4.3: ARDL Model of the Impact of FDI on PCI**

| Variable | Coefficient | Std. Error | t-Statistic |
|---|---|---|---|
| PCI (-1) | 0.0866 | 0.1747 | 0.4953 |
| FDI | 2011.996*** | 151.3602 | 13.2927 |
| FDI (-1) | -116.0007 | 382.8297 | -0.3030 |
| FDI (-2) | 304.8058* | 166.9984 | 1.8252 |
| C | -7169.919 | 29096.06 | -0.2464 |
| **R-Squared** | 0.8679 | | |
| **Adjusted R-squared** | 0.852437 | | |
| **F-statistic** | 55.87921*** | | |
| **Durbin-Watson stat** | 2.400304 | | |

***** and * Stand for 1% and 10% Significance Level Respectively**

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.4: Bound Test for Long-Run Relationship Between FDI and PCI**

| Test Statistic | Value | K |
|---|---|---|
| F-statistic | 13.65915*** | 1 |
| **Significance** | **I0 Bound** | **I1 Bound** |
| 10% | 4.04 | 4.78 |
| 5% | 4.94 | 5.73 |
| 2.5% | 5.77 | 6.68 |
| 1% | 6.84 | 7.84 |

***** Stand for 1% Significant Level**

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.5: ARDL Long Run Coefficients of the Impact of FDI on PCI**

| | Coefficient | Standard Error | t-Statistic |
|---|---|---|---|
| CointEq(-1) | -0.9134*** | 0.174792 | -5.225780 |
| **Long Run Coefficients** | | | |
| DFDI | 2409.3946*** | 367.3134 | 6.5595 |
| C | -7849.4876 | 31885.8091 | -0.2462 |

***** Stand for 1% Significant Level**
**Source: Computed from Secondary Data (1981-2021)**

**Table 4.6: Heteroskedasticity Test: Breusch-Pagan-Godfrey**

| | | | |
|---|---|---|---|
| F-statistic | 0.756619 | Prob. F (4,34) | 0.5607 |
| Obs*R-squared | 3.187786 | Prob. Chi-Square (4) | 0.5269 |
| Scaled explained SS | 3.907774 | Prob. Chi-Square (4) | 0.4186 |

**Source: Computed from Secondary Data (1981-2021)**

## 4.3 Impact of GCF on Nigeria's *per capita* Income

**Table 4.7: Test for Co-integration between GCF and PCI**

| **Unrestricted Cointegration Rank Test (Trace)** | | | | |
|---|---|---|---|---|
| **No. of CE(s)** | **Eigenvalue** | **Trace Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.548388 | 49.92526 | 15.49471 | 0.0000 |
| At most 1 * | 0.384428 | 18.92292 | 3.841466 | 0.0000 |
| Trace test indicates 2 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |
| **Unrestricted Cointegration Rank Test (Maximum Eigenvalue)** | | | | |
| **No. of CE(s)** | **Eigenvalue** | **Max-Eigen Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.548388 | 31.00234 | 14.26460 | 0.0001 |
| At most 1 * | 0.384428 | 18.92292 | 3.841466 | 0.0000 |
| Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.8: VECM Estimates Between GCF and PCI**

| Error Correction | Coefficients | Standard Errors | T-statistic |
|---|---|---|---|
| D(DPCI) | 0.021922 | 0.04937 | 0.44406 |
| D(GCF) | -0.000582*** | 0.00021 | -2.80744 |
| | **Long-run Equation** | | |
| DPCI (-1)) | 0.021922 | 0.049366 | 0.444061 |
| DPCI (-1)) | -0.944035 | 0.139559 | -6.764423 |
| DPCI (-2)) | -0.880126 | 0.148503 | -5.926633 |
| D (GCF (-1)) | 111.2463* | 64.15423 | 1.734045 |
| D (GCF (-2)) | -151.8613** | 62.36516 | -2.435034 |
| C | -20174.49 | 110099.2 | -0.183239 |
| R-squared | 0.667656 | | |
| Adj. R-squared | 0.615727 | | |
| F-statistic | 12.85714 | | |
| Durbin Watson | 2.123449 | | |

***, **, and * Stand for 1%, 5%, and 10% Significance Level Respectively**

**Source: Computed from Secondary Data (1980-2021)**

## 4.4 Impact of Export on Nigeria's *per capita* Income

**Table 4.9: Test for Co-integration Between Export and *per capita* Income**

| **Unrestricted Cointegration Rank Test (Trace)** | | | | |
|---|---|---|---|---|
| **No. of CE(s)** | **Eigenvalue** | **Trace Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.526427 | 32.54857 | 15.49471 | 0.0001 |
| At most 1 | 0.083441 | 3.398009 | 3.841466 | 0.0653 |
| Trace test indicates 1 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |
| **Unrestricted Cointegration Rank Test (Maximum Eigenvalue)** | | | | |
| **No. of CE(s)** | **Eigenvalue** | **Max-Eigen Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.526427 | 29.15056 | 14.26460 | 0.0001 |
| At most 1 | 0.083441 | 3.398009 | 3.841466 | 0.0653 |
| Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.10: VECM Estimates of Export and *per capita* Income**

| Error Correction | Coefficients | Standard Errors | t-Statistic |
|---|---|---|---|
| D(DPCI) | -0.3939* | 0.2176 | -1.8105 |
| D(DEXPORT) | 0.0064*** | 0.0015 | 4.1589 |
| | **Long run Equation** | | |
| DPCI(-1)) | -0.3939 | 0.2176 | -1.8105 |
| DPCI(-1)) | -0.5834 | 0.2179 | -2.6774 |
| DPCI(-2)) | -0.6255 | 0.2046 | -3.0567 |
| D(Export (-1)) | -107.5811** | 56.2329 | -1.9131 |
| D(Export (-2)) | -15.3279 | 53.6798 | -0.2855 |
| C | -16315.57 | 71874.94 | -0.2269 |
| R-squared | 0.6269 | | |
| Adj. R-squared | 0.5686 | | |
| F-statistic | 10.7537 | | |
| Durbin Watson | 1.9409 | | |

****, Stand for 5% Significance Level Respectively**
**Source: Computed from Secondary Data (1981-2021)**

## 4.5 Impact of FDI on Nigeria's Education Sector

**Table 4.11: Test for Co-integration Between FDI and Nigeria's Education**

| **Unrestricted Cointegration Rank Test (Trace)** | | | | |
|---|---|---|---|---|
| **No. of CE(s)** | **Eigenvalue** | **Trace Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.432421 | 23.13843 | 15.49471 | 0.0029 |
| At most 1 | 0.026558 | 1.049767 | 3.841466 | 0.3056 |
| Trace test indicates 1 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |
| **Unrestricted Cointegration Rank Test (Maximum Eigenvalue)** | | | | |
| **No. of CE(s)** | **Eigenvalue** | **Max-Eigen Statistic** | **Critical Value** | **Prob.**** |
| None * | 0.432421 | 22.08866 | 14.26460 | 0.0024 |
| At most 1 | 0.026558 | 1.049767 | 3.841466 | 0.3056 |
| Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level | | | | |
| * Denotes rejection of the hypothesis at the 0.05 level | | | | |
| **MacKinnon-Haug-Michelis (1999) p-values | | | | |

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.12: VECM Estimates Between FDI and Education**

| Error Correction | Coefficients | Standard Errors | T-statistic |
|---|---|---|---|
| D(DEDU) | 0.014574 | 0.17793 | 0.08191 |
| D(DFDI) | -0.469962*** | 0.13888 | -3.38398 |
| | **Long run Equation** | | |
| DEDU(-1)) | 0.014574 | 0.177929 | 0.081910 |
| DEDU(-1)) | -1.866983*** | 0.656175 | -2.845251 |
| DEDU(-2)) | 3.906584*** | 0.689578 | 5.665177 |
| D(FDI (-1)) | -0.333323 | 0.464198 | -0.718060 |
| D(FDI (-2)) | -0.808064** | 0.336680 | -2.400097 |
| C | -43.91178 | 43.07539 | -1.019417 |
| R-squared | 0.747730 | | |
| Adj. R-squared | 0.708313 | | |
| F-statistic | 18.96965 | | |
| Durbin Watson | 2.3917 | | |

***, and **, Stand for 1%, and 5% Significance Level Respectively**
**Source: Computed from Secondary Data (1981-2021)**

## 4.6 Impact of GCF on Nigeria's Education (1980-2021)

**Table 4.13: ARDL Model of the Impact of GCF on Education**

| Variable | Coefficient | Std. Error | t-Statistic |
|---|---|---|---|
| DEDU (-1) | -0.7711*** | 0.2927 | -2.6342 |
| DEDU (-2) | 1.1422*** | 0.4409 | 2.5902 |
| GCF | -0.0570*** | 0.0173 | -3.2816 |
| GCF (-1) | 0.0648** | 0.0320 | 2.0211 |
| GCF (-2) | -0.0931*** | 0.0368 | -2.5301 |
| GCF (-3) | -0.0702 | 0.0472 | -1.4863 |
| GCF (-4) | 0.1983*** | 0.0338 | 5.8648 |
| C | 48.8303 | 25.2807 | 1.9315 |
| **R-Squared** | 0.9596 | | |
| **Adjusted R-squared** | 0.9498 | | |
| **F-statistic** | 98.3201*** | | |
| **Durbin-Watson stat** | 2.0304 | | |

**** and *****Stand for 5% and 1% Significance Level Respectively**

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.14: Bound Test for Long-Run Relationship Between GCF and Education**

| Test Statistic | Value | K |
|---|---|---|
| F-statistic | 9.096955*** | 1 |
| **Significance** | **I0 Bound** | **I1 Bound** |
| 10% | 4.04 | 4.78 |
| 5% | 4.94 | 5.73 |
| 2.5% | 5.77 | 6.68 |
| 1% | 6.84 | 7.84 |

***, **, and ***, Stand for 10%, 5%, and 1% Significant Level Respectively**

**Source: Computed from Secondary Data (1981-2021)**

**Table 4.15: Long Run Estimates of the Relationship Between GCF and Education**

| **CointEq(-1)** | **-0.628905** | **0.518895** | **-1.212009** |
|---|---|---|---|
| | **Long Run Coefficients** | | |
| Variable | Coefficient | Std. Error | t-Statistic |
| GCF | 0.0679** | 0.0336 | 2.0227 |
| C | 77.6434 | 74.0470 | 1.0485 |

***** Stand for 1% Significant Level**

**Source: Computed from Secondary Data (1980-2021)**

## 4.7 Impact of Export on Nigeria's Education

**Table 4.16: Test of Co-Integration for Impact of Export on Education**

**Unrestricted Cointegration Rank Test (Trace)**

| **No. of CE(s)** | **Eigenvalue** | **Trace Statistic** | **Critical Value** | **Prob.**** |
|---|---|---|---|---|
| None * | 0.526995 | 30.65355 | 15.49471 | 0.0001 |
| At most 1 | 0.036652 | 1.456266 | 3.841466 | 0.2275 |

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* Denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

**Unrestricted Cointegration Rank Test (Maximum Eigenvalue)**

| **No. of CE(s)** | **Eigenvalue** | **Max-Eigen Statistic** | **Critical Value** | **Prob.**** |
|---|---|---|---|---|
| None * | 0.526995 | 29.19728 | 14.26460 | 0.0001 |
| At most 1 | 0.036652 | 1.456266 | 3.841466 | 0.2275 |

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* Denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

**Source: Computed from Secondary Data (1981-2021)**

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**Table 4.17: VECM Estimates of Export on Education**

| Error Correction | Coefficients | Standard Errors | t-statistic |
|---|---|---|---|
| D(DEDU) | 0.0273 | 0.05387 | 0.50731 |
| D(DExport) | 2.0343 | 0.52819 | 3.8515 |
| | **Long-run Equation** | | |
| DEDU (-1)) | -0.6009 | 0.4973 | -1.2084 |
| DEDU (-2)) | 2.1648 | 0.6708 | 3.2273 |
| D (Export (-1)) | -0.0208 | 0.0299 | -0.6956 |
| D (Export (-2)) | 0.0603 | 0.0295 | 2.0435** |
| C | -42.1161 | 41.7524 | -1.0087 |
| R-squared | 0.75947 | | |
| Adj. R-squared | 0.72188 | | |
| F-statistic | 20.2079 | | |
| Durbin Watson | 2.4360 | | |

**Source: Computed from Secondary Data (1980-2021)**

## 4.8 Pairwise Granger Causality Tests

The result in Table 4.18 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between FDI and PCI, based on the results, we reject the null hypothesis, which states that FDI does not cause PCI, and accept the alternate hypothesis because the F-statistic is significant at 5%. Also, the F-statistic was significant at 5% for the null hypothesis; PCI does not cause FDI; therefore, we reject the null hypothesis as well.

**Table 4.18: Pairwise Granger Causality Tests for FDI and PCI**

| Null Hypothesis | F-Statistic | Decision |
|---|---|---|
| FDI does not Granger Cause PCI | 3.98** | Accept Alternate Hypothesis |
| PCI does not Granger Cause FDI | 4.18** | Accept Alternate Hypothesis |

**** Means 5% Significant Level**

**Source: Computed from Secondary Data (1980-2021)**

The result in Table 4.19 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between GCF and PCI, based on the results, we reject the null hypothesis, which states that GCF does not cause PCI, and accept the alternate hypothesis because the F-statistic is significant at 5%. Also, the F-statistic was significant at 5% for the null hypothesis; PCI does not cause GCF; therefore, we reject the null hypothesis as well.

**Table 4.19: Pairwise Granger Causality Tests for GCF and PCI**

| Null Hypothesis | F-Statistic | Decision |
|---|---|---|
| GCF does not Granger Cause PCI | 2.5347** | Accept Alternate Hypothesis |
| PCI does not Granger Cause GCF | 3.0909** | Accept Alternate Hypothesis |

**** Means 5% Significant Level Respectively**

**Source: Computed from Secondary Data (1980-2020)**

The result in Table 4.20 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between export and PCI, From the results, we reject the null hypothesis, which states that export does not cause PCI, and accept the alternate hypothesis because the f-statistic is significant at 5%. Also, the F-statistic was not significant at 5% for the null hypothesis; PCI does not cause export; therefore, we accept the null hypothesis.

**Table 4.20: Pairwise Granger Causality Tests for Export and PCI**

| Null Hypothesis: | F-Statistic | Decision |
|---|---|---|
| Export does not Granger Cause PCI | 3.0254*** | Accept Alternate Hypothesis |
| PCI does not Granger Cause Export | 0.6380 | Reject Alternate Hypothesis |

**** Means 5% Significant Level**

**Source: Computed from Secondary Data (1980-2021)**

The result in Table 4.21 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between FDI and education, From the results, we accept the null hypothesis, which states that FDI does not cause education because the F-statistic was not significant at 5%. Also, the F-statistic is significant at 5% for the null hypothesis: education causes FDI; therefore, we accept the null hypothesis.

**Table 4.21: Pairwise Granger Causality Tests for FDI and EDU**

| **Null Hypothesis:** | **F-Statistic** | **Decision** |
|---|---|---|
| FDI does not Granger Cause EDU | 2.457* | Reject Alternate Hypothesis |
| EDU does not Granger Cause FDI | 0.6703 | Reject Alternate Hypothesis |

*** Means 10% Significant Level**

**Source: Computed from Secondary Data (1981-2021)**

The result in Table 4.22 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between GCF and education, From the results, we reject the null hypothesis, which states that GCF does not cause education, and accept the alternate hypothesis because the F-statistic is significant at 5%. Also, the F-statistic is not significant at 5% for the null hypothesis; education does not cause GCF; therefore, we reject the null hypothesis.

**Table 4.22: Pairwise Granger Causality Tests for** Export **and EDU**

| **Null Hypothesis:** | **F-Statistic** | **Decision** |
|---|---|---|
| GCF does not Granger Cause EDU | 73.11*** | Accept Alternate Hypothesis |
| EDU does not Granger Cause GCF | 19.44*** | Accept Alternate Hypothesis |

***** Means 1% Significant Level Respectively**

**Source: Computed from Secondary Data (1980-2020)**

The result in Table 4.23 shows a pairwise Granger causality test. For the first hypothesis, which states that there is no significant difference between export and education, From the results, we reject the null hypothesis, which states that export does not generate education, and accept the alternate hypothesis because the F-statistic is significant at 5%. Also, the F-statistic was significant at 5% for the null hypothesis; education does not exacerbate exports; therefore, we also reject the null hypothesis.

**Table 4.22: Pairwise Granger Causality Tests for Export and EDU**

| Null Hypothesis: | F-Statistic | Decision |
|---|---|---|
| Export does not Granger Cause EDU | 7.20399 | Accept Alternate Hypothesis |
| EDU does not Granger Cause Export | 8.90835 | Accept Alternate Hypothesis |

**** Means 5% Significant Level Respectively**

**Source: Computed from Secondary Data (1980-2020)**

## 4.8 Summary of Findings

The results of the study revealed that the mean values of education, exports, FDI, GCF, and PCI within the period of study were ₦717.07 billion, ₦5,715.124 billion, ₦360.9421 billion, ₦7,957.668 billion, and ₦782,855.8 billion, respectively. From the results, FDI had a significant relationship with PCI both in the short run and the long run. This implies that the more foreign direct investment (FDI) that is attracted to the country, the better off Nigerians will be. The results revealed that a unit increase in FDI resulted to about 2,012, 304.80, and 2,409 unit increase in per capita income in 2021, 2019, and in the long run, respectively. FDI was, however, not significant in the year 2020, which was the COVID-19 pandemic year. Furthermore, the error correction estimate showed that the system will converge during instances of external shocks with a speed of adjustment of 9.1%.

From the results, GCF had both a positive and negative impact on PCI. The results revealed that the GCF for 2020 had a positive coefficient, while the GCF for 2019 had a negative coefficient; both were statistically significant at the 10% and 5% probability levels, respectively. Based on the results, a unit increase in GCF led to about a 151.8613 unit increase and a 111.2463 unit decrease in PCI for 2019 and 2020, respectively. The error correction estimates show that there was a steady long-run equilibrium between the GCF and the PCI. This further shows that the system will converge at a speed of 0.06% during instances of external shocks, which in effect increases the equilibrium. This suggests that Nigeria can attain sustained economic development if it pays attention to capital accumulation. The negative coefficient in the 2020 financial year may be attributed to the COVID-19 pandemic, which had adverse effects on most economies around the world.

Moreso, the study showed that exports had a significant impact on PCI, From the results, a one-unit increase in export led to about a 107.5811-unit increase in PCI in 2020 and has the potential to contribute the same in the long run. The error correction estimates show that the system will converge at a speed of 3.9% during instances of external shocks. This suggests that export had a major contribution to PCI during the COVID-19 pandemic.

Furthermore, FDI had both a short- and long-term impact on education. The results suggest that a unit increase in FDI resulted in a 1.867 unit increase in the education contribution to economic development in 2020, as well as a 3.91 unit decrease in the education contribution to economic development in 2019. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. Based on the findings, a one-unit increase in FDI will result in a 1.867-unit increase in that a unit increase in FDI resulted in a 1.867 unit increase in

the education contribution to economic development in 2020, as well as a 3.91 unit decrease in the education contribution to economic development in 2019. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. Based on the findings, a one-unit increase in FDI resulted to a 1.867-unit increase in education's contribution to economic development in the long run.

The GCF had an unstable impact on education, according to the findings, as it had both positive and negative significant effects. This might be due to the persistent instability in the educational sector. Also, the direction of government spending and the high amount of economic corruption are potential explanations for these results. The result reveals that a unit increase in GCF resulted in about a 0.057 unit decrease in educations' contribution to GDP in 2021, and a unit increase in GCF resulted to about 0.0648 unit increase in educations' contribution to GDP in 2020. Furthermore, a unit increase in GCF resulted to about 0.0931 unit decrease in educations' contribution to GDP in 2019. The error correction model had a negative coefficient and was statistically insignificant, suggesting that distortion due to an external shock may not be corrected immediately. However, in the long run, a unit increase in GCF led to a 0.0679 unit increase in educations' contribution to economic development.

Export earnings have an impact on economic development as they serve as a source of foreign exchange earnings and revenue generation for capital investment. The results of the study revealed that there is a long-term relationship between exports and education. Based on the result, a one-unit increase in export earnings led to about a 0.0603-unit increase in educational contribution to economic development. The error correction estimates had a positive but insignificant coefficient and hence suggested that there was no steady long-run equilibrium state

between export earnings and education. This further shows that the system will diverge during instances of external shocks, hence increasing the disequilibrium.

According to the Granger causality results, there is bidirectional causality between FDI and PCI, GCF and PCI, GCF and EDU, and Export and EDU. This means the variables had a significant impact on each other. Also, there is a unidirectional causality between export and PCI. The results further show that there is no causality between FDI and education.

## 4.9 Conclusion

The section presented and interpreted the results of the analysis. The section presented the diagnostic statistics, which include descriptive statistics, the unit root test, the cointegration test, and the Granger causality test. The results also presented the results of the specific objectives of the study. The study also briefly presented the summary of the findings.

# CHAPTER V: DISCUSSION

## 5.1 Discussion of Results

This section interpret and discussed on the results form the data anlysis as it related to each specific obkectives in the study. Appropraite inferences wer made based on the results from the various objectives.

## 5.2 Impact of FDI on Nigeria's *per capita* Income (1980-2021)

Table 4.3 contains the result of the ARDL model showing the impact of FDI on Per Capita income. From the results, the R squared was 0.8524. This suggests that 85.24% of the variation in Per Capita income was accounted for by FDI, while the remaining 14.76% was due to other variables not captured in the model. The F-statistic was 55.87 and statistically significant at 1%, suggesting that the model was well specified. The result reveals that FDI was significant at 1% with a coefficient of 2011.996 in 2021, which means that a unit increase in FDI resulted to about a 2,012 unit increase in per capita income in 2021. The results also revealed that in 2019, FDI was significant at 10% with a coefficient of 304.8058, which means that a unit increase in FDI resulted to a 304.8058 unit increase in per capita income.

The result of the bounds test in Table 4.4 shows that the F-statistic of 13.6592 was higher than the critical value of both the I0 and I1 bounds at 10%, 5%, 2.5%, and 1%. This means that a long-term relationship exists between the variables. Since a long-term relationship exists between the variables, we therefore reject the null hypothesis and accept the alternative hypothesis. The result on Table 4.5 reveals that in the long run, FDI had a significant impact on PCI. The results showed that FDI was statistically significant at 1% with a coefficient of 2,409 units, which means that a unit increase in FDI resulted to a 2,409 unit increase in per capita income in the long run.

The error correction estimates show the speed of adjustment in the short run. The result on Table 4.5 shows that the error correction model had a negative coefficient and was statistically significant at the 1% significance level. This indicates that there was a steady long-run equilibrium state between the FDI and the PCI. This further shows that the system will converge during instances of external shocks. The negative sign of ECM indicates convergence from the short run to the long run and shows a causal relationship between FDI and PCI, which in effect increases the equilibrium. The adjustment speed was 0.9134, which lies between 0 and 1, and the t-statistic was 5.22, which was more than 2 in absolute value; therefore, it is statistically significant observing the rule of thumb. 9% of the errors in the current period would be corrected in subsequent periods. The results of the heteroscedasticity test in Table 4.6 revealed that there was no problem of homoscedasticity in the model, and hence the model is fit to make necessary inferences.

Following the findings from the study, FDI has a significant relationship with PCI both in the short run and the long run. This implies that the more foreign direct investment (FDI) attracted to the country, the better off Nigerians will be. The result is in line with the findings of Mojekwu and Samson (2012); Shuaib *et al*. (2015); and further affirms the Harrod-Domar model, modernization, and globalization theories. suggesting that the more a country is able to save and invest, the better the welfare of its citizens. Given the positive coefficient in both the short run and long run, the results suggest that Nigeria can attain increased economic development if they attract more FDI into the country. FDI should be prioritized as a viable source of sustained economic growth. If Nigeria becomes a destination that attracts FDI with a conducive macroeconomic environment for investors, more jobs will be created thereby reducing the unemployment rate. The PCI of the citizenry will increase on average, and there will be sustainable economic development in Nigeria. The increase in the flow of FDI will also result in an increase in the technological level of the Nigerian economy, which, if sustained, will transform the world into a global market. The results, however, disagree with the findings of

Awe (2013) and Evans *et al*. (2021), who both posited that FDI had a negative effect on economic growth.

### 5.3 Impact of GCF on Nigeria's *per capita* Income (PCI) (1980-2021)

The Johansen test of cointegration results presented in Table 4.7 reveals that both the trace statistics and Max Eigen statistics show that there are two (2) co-integrating equations in the regression model of GCF and PCI because the value of both the trace statistics and Max Eigen statistics is higher than the 5 percent critical value. Thus, the null hypothesis of no co-integration among the variables was rejected. Hence, there is a long-run equilibrium relationship between the variables. Given the results, a vector error correction model was estimated.

The vector error correction model estimates the relationship between GCF and PCI; the result on Table 4.8 shows the coefficient of the long-run relationship and error correction model. According to the findings, the GCF for 2020 had a positive coefficient, while the GCF for 2019 had a negative coefficient; both were statistically significant at the 10% and 5% probability levels, respectively. When normalized, the negative coefficient will become positive while the positive becomes negative. A positive coefficient depicts a proportional relationship, while a negative coefficient depicts an inverse relationship. From the results, a unit increase in GCF led to about a 151.8613 unit increase and a 111.2463 unit decrease in PCI for 2019 and 2020, respectively. The error correction estimates, which show the speed of adjustment in the short run, had a negative coefficient and were statistically significant at the 1% probability level. This indicates that there was a steady long-run equilibrium state between the GCF and the PCI. This further shows that the system will converge during instances of external shocks, which in effect increases the equilibrium. The adjustment speed was 0.000582, which lies between 0 and 1, and the t-statistic is 2.8, which is more than 2 in absolute value; therefore, it is statistically

significant. Observing the rule of thumb, about 0.06% of the errors in the current period would be corrected in subsequent periods. The long-run equation had a R squared of 0.6677, suggesting that 66.77% of the variation in per capita income was accounted for by GCF. The remaining 33.24% were due to macroeconomic variables not captured in the model. The F-statistic was 12.86 and statistically significant at 1%, suggesting that the model was well specified. The Durbin-Watson statistics of 2.12 suggest the absence of auto-correlation in the model.

From the results, it can be deduced that GCF had an impact on economic development. This further confirms the Harrod-Domar model (a model of linear stages of growth). The findings are in line with Ugwuegbe and Uruakpa (2013), Gbenga and Adeleke (2013), and differ slightly from the findings of Nweke et al. (2017). This suggests that Nigeria can attain sustained economic development if it pays attention to capital accumulation. The outcome of this analysis can be trusted when making long-term economic policy decisions. It also implies that, if vigorously pursued, policies that promote gross capital formation could eventually be advantageous to the Nigerian economy. The negative coefficient in the 2020 financial year may be attributed to the COVID-19 pandemic, which had adverse effects on most economies around the world.

### 5.4 Impact of Export on Nigeria's *per capita* Income (1980-2021)

The Johansen test of cointegration results presented in Table 4.9 reveals that both the trace statistics and Max Eigen statistics show that there is one (1) co-integrating equation in the regression model of export and per capita income because the values of both the trace statistics and Max Eigen statistics are higher than the 5 percent critical value. Thus, the null hypothesis of no co-integration among the variables was rejected. Hence, there is a long-run equilibrium

relationship between the variables. Given the results, a vector error correction model was estimated.

The vector error correction model estimates Between export and PCI, Table 4.10 shows the coefficient of the long-run relationship and error correction model. From the results, export had a negative coefficient in 2020 and was statistically significant at the 5% probability level. When normalized, the negative coefficient will become positive while the positive becomes negative. A positive coefficient depicts a proportional relationship, while a negative coefficient depicts an inverse relationship. From the results, a one-unit increase in export led to about a 107.5811-unit increase in PCI in 2020. The error correction estimates, which show the speed of adjustment in the short run, had a negative coefficient and were statistically significant at the 10% probability level; this indicates that there was a steady long-run equilibrium state between export and PCI. This further shows that the system will converge during instances of external shocks. The negative sign of ECM indicates convergence from the short run to the long run and shows a causal relationship between export and PCI, which in effect increases the equilibrium. The adjustment speed was 0.3939, which lies between 0 and 1, and the t-statistic was 1.81; therefore, it is statistically significant at the 10% probability level. About 3.9% of the errors in the current period would be corrected in subsequent periods. This further shows that the system will converge during instances of external shocks. The F-stat was 10.75376 and statistically significant at the 1% probability level, further suggesting that the model was well specified. The R2 was 0.6269 and implies that 62.69% of the variation in the PCI was due to export earnings while the remaining 37.31% was due to variables not captured in the model.

Following the results of the study, it can be said that exports had a significant impact on PCI. The outcome is consistent with Elias *et al*. (2018) and further supports the globalization growth theory. This suggests that a policy that encourages export earnings and possible diversification of the exports from Nigeria will lead to economic development both in the short run and the long run.

## 5.5 Impact of FDI on Nigeria's Education Sector (1980-2021)

The Johansen test of cointegration results presented in Table 4.12 reveal that both the trace statistics and Max Eigen statistics show that there is one (1) co-integrating equation in the regression model of FDI and education because the values of both the trace statistics and Max Eigen statistics are higher than the 5 percent critical value. Thus, the null hypothesis of no co-integration among the variables was rejected. Hence, there is a long-run equilibrium relationship between the variables. Given the results, a vector error correction model was estimated.

The vector error correction model estimates Between FDI and education, the result on Table 4.12 shows the coefficient of the long-run relationship and error correction model. From the results, education had a negative coefficient in 2020 and a positive coefficient in 2019, and was statistically significant at the 1% probability level, respectively. When normalized, the negative coefficient will become positive while the positive becomes negative. A positive coefficient depicts a proportional relationship, while a negative coefficient depicts an inverse relationship.

According to the findings, a unit increase in FDI resulted to a 1.867 unit increase in the education contribution to economic development in 2020, as well as a 3.91 unit decrease in the education contribution to economic development in 2019. The coefficient from our error correction model was positive and statistically insignificant, indicating that there was no stable long-run equilibrium state between education and FDI. The positive sign of ECM indicates a divergence

from short run to long run during instances of external shocks and shows a causal relationship between education and FDI, which increases the disequilibrium. The F-stat was 18.96 and statistically significant at the 1% probability level, further suggesting that the model was well specified. The R2 was 0.7477, which implies that 74.77% of the variation in the education sectors' contribution to economic development was due to FDI.

The result is in line with Awe (2013), Ainabor *et al*. (2014), Edmore and Odhiambo (2014), and Shuaib *et al*. (2015), who all posited a positive impact of FDI on economic development. However, studies in Nigeria, with particular emphasis on the impact of FDI on education, by Ismaila (2017) and Tijjani (2019), posit a negative correlation between FDI and education investment. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. The results suggest that there was no long run relationship between FDI and educational investment; this may be attributed to continued inconsistency in the educational sector in Nigeria, hence discouraging potential investors from investing in the educational sector.

## 5.6 Impact of GCF on Nigeria's Education Sector (1980-2021)

Table 4.13 contains the result of the ARDL model showing the impact of GCF on education. From the results, the R squared was 0.9596. This suggests that 95.96% of the variation in education was accounted for by FDI, while the remaining 4.04% was due to other variables not captured in the model. The F-statistic was 98.3 and was statistically significant at 1%, suggesting that the model was well specified. The result reveals that GCF was significant at 1% with a coefficient of -0.0570 in 2021, which means that a unit increase in GCF led to about a 0.057 unit decrease in educations' contribution to GDP in 2021. Also, GCF was significant at 5% with a coefficient of 0.0648 in 2020, which means that a unit increase in GCF led to about a

0.0648 unit increase in educations' contribution to GDP in 2020. GCF was significant at 1% with a coefficient of 0.0931 in 2019, which means that a unit increase in GCF led to about a 0.0931 unit decrease in educations' contribution to GDP in 2019.

The result of the bounds test in Table 4.14 shows that the F-statistic of 9.096 was higher than the critical value of both the I0 and I1 bounds at 10%, 5%, 2.5%, and 1%. This means that a long-term relationship exists between the GCF and education. Since a long-term relationship exists between the variables, we therefore reject the null hypothesis and accept the alternative hypothesis. The result on Table 4.15 reveals that in the long run, GCF had a significant impact on education. The results showed that GCF was statistically significant at 5% with a coefficient of 0.0679 units, which means that a unit increase in GCF resulted to a 0.0679 unit increase in education in the long run. The result on Table 4.15 shows that the error correction model had a negative coefficient and was statistically insignificant.

The findings indicate that the GCF had an unstable impact on education, as it had both positive and negative significant effects. This might be due to the persistent instability in the educational sector. Also, the direction of government spending and the high amount of economic corruption are potential explanations for these results. For instance, Nigeria proposed a budget for the 2018 fiscal year that included capital expenditures at 31% of total expenditures while recurrent expenditures made up 63%, according to the Medium-Term Expenditure Framework report 2019. However, the federal government only spent 60% of the budgeted capital expenditure in real spending, which works out to 23% of overall spending compared to 28% for debt servicing (CBN, 2019). To put it another way, the federal government invested more in debt servicing than it did on planned capital improvements for the education sector of the economy. As a result, the lack of capital projects seriously harms the prospects for the educational sector and for economic growth. The results affirm the Harrod-Domar theory of economic development. Capital accumulation following domestic saving and investment will have an impact on educational attainment in the country and economic development in the long run. The result is in line with Nweke *et al*. (2017) and Adaolisa (2022).

## 5.7 Impact of Exports on Nigeria's Education Sector (1980-2021)

The Johansen test of cointegration results presented in Table 4.16 reveal that both the trace statistics and Max Eigen statistics show that there is one (1) co-integrating equation in the regression model of export earnings and education because the values of both the trace statistics and Max Eigen statistics are higher than the 5 percent critical value. Thus, the null hypothesis of no co-integration among the variables was rejected. Hence, there is a long-run equilibrium relationship between the variables. Given the results, a vector error correction model was estimated. Having established that all variables in the model are cointegrated, the VECM is used to estimate the short- and long-run effects. Short-run dynamics are determined by the lagged differences of the variables, while long-run dynamics are determined by the significance of the coefficient of the error-correction term.

The vector error correction model estimates Between export and education, the result on Table 4.17 shows the coefficient of the long-run relationship and error correction model. When normalized (multiplied by -1), the negative coefficient will become positive, while the positive becomes negative. A positive coefficient depicts a proportional relationship, while a negative coefficient depicts an inverse relationship. From the results, export earnings had a positive coefficient in 2020 and were statistically significant at the 5% probability level. From the results, a one-unit increase in export earnings led to about a 0.0603 unit increase in educational contribution to economic development. The error correction estimates, which show the speed of adjustment in the short run, revealed a positive and statistically insignificant coefficient. Since the system is expected to have a negative sign in order to experience convergence at equilibrium, the positive coefficient implies the insignificance of the error correction model. This indicates that there was no steady long-run equilibrium state between export earnings and education. This further shows that the system will diverge during instances of external shocks, hence increasing the disequilibrium. The F-stat was 8.474 and statistically significant at the 1% probability level, further suggesting that the model was well specified. The R2 was 0.759470 and implies that

75.94% of the variation in education earnings was due to export. Export earnings impact economic development as they serve as a source of foreign exchange earnings and revenue generation for capital investment. The result is in line with Elias et al. (2017) and Isiwu (2022).

# Chapter VI: SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

## 6.1 Summary

The study determined the impact of FDI, GCF, and exports on economic development in Nigeria (1980–2021). Economic development was measured by proxy using *per capita* income (*PCI)* and education. The study used a time series research design, which is a type of longitudinal research that involves analysing "huge series of data made on the same variable consecutively through time." Time series data from secondary sources, including the Central Bank of Nigeria (CBN) and the Nigeria Bureau of Statistics (NBS) database, were used for the study. The dataset ranged from 1980 to 2021.The collected data were analysed using ordinary least square regression techniques. Based on the unit root test and cointegration test, the autoregressive distributed lag (ARDL) model and the vector error correction model (VECM) were adopted. The results of the study revealed that the mean values of education, exports, FDI, GCF, and PCI within the period of study were N717.07 billion, N5,715.124 billion, N360.9421 billion, N7,957.668 billion, and N782,855.8 billion, respectively.

From the results, FDI had a significant relationship with PCI both in the short run and the long run. This implies that the more foreign direct investment (FDI) that is attracted to the country, the better off Nigerians will be. The results revealed that a unit increase in FDI resulted to about a 2,012, 304.80, and 2,409 unit increase in per capita income in 2021, 2019, and in the long run, respectively. FDI was, however, not significant in the year 2020, which was the COVID-19 pandemic year. Furthermore, the error correction estimate showed that the system will converge during instances of external shocks with a speed of adjustment of 9.1%.

From the results, GCF had both a positive and negative impact on PCI. The results revealed that the GCF for 2020 had a positive coefficient, while the GCF for 2019 had a negative coefficient; both were statistically significant at the 10% and 5% probability levels, respectively. Based on the results, a unit increase in GCF led to about a 151.8613 unit increase and a 111.2463 unit decrease in PCI for 2019 and 2020, respectively. The error correction estimates show that there was a steady long-run equilibrium between the GCF and the PCI. This further shows that the system will converge at a speed of 0.06% during instances of external shocks, which in effect increases the equilibrium. This suggests that Nigeria can attain sustained economic development if it pays attention to capital accumulation. The negative coefficient in the 2020 financial year may be attributed to the COVID-19 pandemic, which had adverse effects on most economies around the world.

Moreso, the study showed that exports had a significant impact on PCI, From the results, a one-unit increase in export led to about a 107.5811-unit increase in PCI in 2020 and has the potential to contribute the same in the long run. The error correction estimates show that the system will converge at a speed of 3.9% during instances of external shocks. This suggests that export had a major contribution to PCI during the COVID-19 pandemic.

Furthermore, FDI had both a short- and long-term impact on education. The results suggest that a unit increase in FDI resulted to 1.867 unit increase in the education contribution to economic development in 2020, as well as a 3.91 unit decrease in the education contribution to economic development in 2019. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. Based on the findings, a one-unit increase in FDI resulted to 1.867-unit increase in that a unit increase in FDI resulted to 1.867 unit increase in the

education contribution to economic development in 2020, as well as a 3.91 unit decrease in the education contribution to economic development in 2019. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. Based on the findings, a one-unit increase in FDI will result to a 1.867-unit increase in education's contribution to economic development in the long run.

The GCF had an unstable impact on education, according to the findings, as it had both positive and negative significant effects. This might be due to the persistent instability in the educational sector. Also, the direction of government spending and the high amount of economic corruption are potential explanations for these results. The result reveals that a unit increase in GCF led to about 0.057 unit decrease in educations' contribution to GDP in 2021, and a unit increase in GCF led to about 0.0648 unit increase in educations' contribution to GDP in 2020. Furthermore, a unit increase in GCF led to about 0.0931 unit decrease in educations' contribution to GDP in 2019. The error correction model had a negative coefficient and was statistically insignificant, suggesting that distortion due to an external shock may not be corrected immediately. However, in the long run, a unit increase in GCF will result in a 0.0679 unit increase in educations' contribution to economic development.

Export earnings have an impact on economic development as they serve as a source of foreign exchange earnings and revenue generation for capital investment. The results of the study revealed that there is a long-term relationship between exports and education. Based on the result, a one-unit increase in export earnings led to about a 0.0603-unit increase in educational contribution to economic development. The error correction estimates had a positive but insignificant coefficient and hence suggested that there was no steady long-run equilibrium state

between export earnings and education. This further shows that the system will diverge during instances of external shocks, hence increasing the disequilibrium.

According to the Granger causality results, there is bidirectional causality between FDI and PCI, GCF and PCI, GCF and EDU, and Export and EDU. This means the variables had a significant impact on each other. Also, there is a unidirectional causality between export and PCI. The results further show that there is no causality between FDI and education.

**6.2 Implications**

Following the findings from the study, FDI has a significant relationship with PCI both in the short run and the long run. This implies that the more foreign direct investment (FDI) that is attracted to the country, the better off Nigerians will be. The result is in line with the findings of Mojekwu and Samson (2012); Shuaib *et al*. (2015); and further affirms the Harrod-Domar model, modernization, and globalization theories. implying that the greater a country's ability to save and invest, the better its citizens' well-being. Given the positive coefficient in both the short run and long run, the results suggest that Nigeria can attain sustained economic development if they attract more FDI into the country. FDI should be prioritized as a viable source of sustained economic growth. If Nigeria becomes a destination that attracts FDI with a conducive macroeconomic environment for investors, more jobs will be created, thereby reducing the unemployment rate. The PCI of the citizenry will increase on average, and there will be sustainable economic development in Nigeria. The increase in the flow of FDI will also result in an increase in the technological level of the Nigerian economy, which, if sustained, will transform the world into a global market.

The results posited that GCF had an impact on economic development. This suggests that Nigeria can attain sustained economic development if it pays attention to capital accumulation. The outcome of this analysis can be trusted when making long-term economic policy decisions. It also implies that, if vigorously pursued, policies that promote gross capital formation could eventually be advantageous to the Nigerian economy. Following the results of the study, it can be said that exports had a significant impact on PCI. This suggests that a policy that encourages export earnings and possible diversification of the exports from Nigeria will lead to economic development both in the short run and the long run.

The results disagree with studies by Ismaila (2017) and Tijjani (2019), with particular emphasis on the impact of FDI on education. The negative coefficient in 2019 suggests that FDI had no impact on educational investment in Nigeria. This suggests that the potential of technology and knowledge transfer through FDI has not been maximized. The results suggest that there was no long-run relationship between FDI and educational investment; this may be attributed to continued inconsistency in the educational sector in Nigeria, thereby discouraging potential investors from investing in the educational sector. According to the findings, the GCF had an unstable impact on education, with both positive and negative significant effects. This might be due to the persistent instability in the educational sector. Also, the direction of government spending and the high amount of economic corruption are potential explanations for these results. Given the shortfalls in investment by the federal government in the education sector and higher spending on debt servicing, there is a lack of capital projects, which has seriously deterred the prospects for the educational sector and for economic growth. This implies that more investment has to be made in the educational sector if Nigeria is to tap the full potential of the sector. The results affirm the Harrod-Domar theory of economic development. Capital accumulation

following domestic saving and investment will have an impact on educational attainment in the country and economic development in the long run. Based on the results, export earnings have an impact on economic development as they serve as a source of foreign exchange earnings and revenue generation for capital investment.

### 6.3 Recommendations for Future Research

This study is not comprehensive. According to the conclusions above, further research is necessary on:

(i) Impact of FDI on economic development in west Africa states

(ii) Impact of Gross Capital Accumulation on Life expectancy in west Africa

(iii) Impact of FDI and export on Human development index.

### 6.4 Conclusion

The study determined the impact of FDI, GCF, and exports on economic development in Nigeria (1980–2021). Economic development was measured by proxy using per capita income (PCI) and education. Based on the various revelation of the study it can be concluded that the potentials contribution of FDI, GCF, and export has not been fully maximized despite the impact the variables had on economic development proxied by PCI and eductions. The study conclude that FDI, GCF, and export had both short and longrun impact on economic development.

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