Impact of Foreign Direct Investment on the Economic Growth of Nigeria

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Abstract

The study analyses the impact of foreign direct investment (FDI) on the economic growth of Nigeria for the period 2008-2017. The R Squared and adjusted R squared are found to be 86% and 74% respectively which shows that about 86% of the variation in RGDP is being accounted for by the explanatory variables, while only about 14% account for error term in explaining the model. The implication of this result it that, the held a significant percent in explaining the fact that the independent variable considered in the model account to a large extent for the change in the dependent variable. DW Statistics is 1.81, which shows that there is no autocorrelation which means that all the OLS biases were partly addressed which gives us Best Linear Unbiased Estimator (BLUE) in the model. The global overall F-Statistical test is less than 0.000% (i.e 0.00% < 0.05%). The F statistics which captures the joint significance however showed that the variables are jointly significant (i.e 0.00 < 0.05%) at 5% significant level. The results also emphasize the need to invest in human development since growth in the GDP would be immaterial if the same does not reflect positively on the populace by translating to improved living standards which is in line with the vision 2020 that aims to transform Nigeria into a newly industrialized, middle-income country; providing a high quality of life to all its citizens by 2020, in a clean and secure environment.

Keywords: *Foreign Direct Investment, Gross Domestic Product, Exchange Rate and Economic Growth*

1.0 Introduction

Most countries strive to attract Foreign Direct Investment (FDI) because of its acknowledged advantages as a tool of economic development. Africa and Nigeria in particular, joined the rest of the world in seeking FDI as evidenced by the formation of the New Partnership for Africa's Development (NEPAD), which has the attraction of foreign investment to Africa as a major component. Undoubtedly Africa and indeed Nigeria is facing a situation of economic crisis, featured by inadequate resources for long - term development, high poverty level, low capacity utilization, high level of unemployment, and other Sustainable Development Goals (SDGs) increasingly becoming difficult to achieve by 2030. Promoting and facilitating technology transfer through foreign direct investment (FDI) has assumed a prominent place in the strategies of economic revival and growth being advocated by policy makers at the national, regional and international levels because it is considered to be the key to

bridging the technology and resource gap of underdeveloped countries and avoiding further build-up of debt (UNCTAD, 2012).

In the face of inadequate resources to finance long-term development in Africa and increasing level of poverty, attracting FDI assumed a prominent place in the strategies of African countries. It is argued that, Africa entirely is suffering from poor governance, war and violence. To overcome the constraints on productivity, government need to improve their countries' investment climate in order to increase opportunities and incentives for enterprises both domestic and foreign to invest productively,(Sachs & Snowdon, 2013). Foreign direct investment (FDI) inflow represent additional resources a country needs to improve economic performance and provides both physical employment possibilities that may not be available in the host market,(Khadaroo & Seetanah, 2012).

There are four basic requirements for economic growth and development which include: investment capital, technical skills, enterprise and natural resources. Without the mentioned component above in adequate proportions economic growth is a dream, (Shiro, 2011). The provision of the first three requirements (i.e. investment capital, technical skills, and enterprise) presents problem to Nigeria. This is due to the low level of income which prevent the mobilization of adequate savings needed to stimulate investment capital at home and finance training in modern production techniques and investment methods, (Shiro, 2011).

For any country (Nigeria in particular) with this saving-investment gap, foreign capital is regarded as an alternative to bridge the gap (Adofu & Ilemona, 2010). So, FDI is seen as an antidote for slow rate of economic growth which the country has been experiencing,(World Bank, 2011). Many studies have been conducted to examine the impact of FDI on growth, but only a few studies have considered the impact of FDI in the context of Nigeria being the giant of Africa. Thus this paper fills the gap in examining the impact of FDI on economic growth of Nigeria for a ten year period.

The rest of the paper is organized as follows: section 2 discusses the theoretical and empirical literature on the relationship between FDI and economic growth, section 3 describes the dataand measures used, section 4 presents the empirical results and discussions of the findings and

section 5 offers policy implications, suggestions for further research and conclusions.

2.0 Literature Review

2.1 Concept of Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor defined according to residency(The World Bank, 2015). Foreign Direct Investment (FDI) has been defined as the investment of resources in business activities outside a firm's home country (Hill, 2010). Jorgenson, (2007) defines Foreign Direct Investment as the process whereby people in one country obtain ownership of assets for the purpose of gaining control over the production, distribution and other activities of a firm in a foreign country.

2.1.1 Determinants of Foreign Direct Investment (FDI)

The issue of determinants of foreign direct investment is somehow difficult to understand and generalize because the nature of businesses differ with their different requirements so it is of great assignment for the foreign investors to find a better environment suitable for their investments. But generally, it can be agreed upon that, those factors suitable for domestic investments could be of great importance to foreign investments as well such as political, economic, social and cultural and geographical location of the country. It is also true that some determinants may be more important at a given time than to another investor (Ajayi, 2006). It is nevertheless clear that a critical minimum of these determinants must be present before FDI inflows begin to occur (Ngowi, 2001). These suggested factors that could enhance the inflow of FDI generally include but not limited to the following:

Infrastructure, Labour Cost, Resource availability, Political factors and Privatization

2.2   Concept of Economic Growth

Friedman (1972) defines economic growth as an expansion of the system in one or more dimensions without a change in its structure. Thus, economic growth is related to a quantitative sustained increase in the country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade.

Economic growth is a gradual and steady change in the long run which comes about in gradual increase in the rate of saving and population (Schumpeter 1934). Economic growth may well involve not only more output derived from greater amount of inputs but also greater efficiency, i.e an increase in output per unit.

The use of the economic growth rate of the real GDP as a measure of economic performance has become one of the most central issues in modern day economics. This is largely due to the fact that most developed countries like the U.S, Britain and Japan have their level of development attributed to a rapid rate of growth. Such countries provide more social welfare and services to their citizens than the developing countries in the world.

Economic growth which is regarded as expansion of a country's GDP or output is evidenced by outward shift of the country's production possibility frontier (PPF).

The three factors that contribute basically to economic growth are; supply factor, demand factor and allocative factor.

2.2.1 Economic Growth Indicator

Economic growth indicators are indices that show if an economy is growing and to what level is it growing. Some of these indicators are; increase in GDP, Real GDP, Real GDP per capita, GNP, Consumer Price Index (CPI) and Total expenditure/net lending.

i. **Increase in Gross Domestic Product** (GDP): GDP is the total value of final goods and services produced within an economy over a given period of time, usually a year. Increase in GDP may signify economic growth but not all cases. The equation $Y=C+I+G$ is used to denote the GDP

Where;

Y = Aggregate GDP of an economy

C = Aggregate consumption in the economy

I = Aggregate investment

G = Government expenditure on goods and services

ii. **Real Gross Domestics Product:** This is the final value of goods and services produced within an economy with figures adjusted to the current rate of inflation in that economy.

iii. **Real GDP Per Capita**: This is the average income of the people in a country, it is the measure of real output or income per person in an economy. Increase in GDP per capita indicates higher growth in an economy and vice versa.

iv. **Gross National Product**: GNP is the total measure of goods and services at market value resulting from current production during a year in a country, including net income from abroad. One of the methods used in measuring economic growth in terms of increase in the economy's real national income is the GNP. Thus, economic growth is related to quantitative sustained increase in the country's per capita output or income (GNP per capita) accompanied by expansion in its labour force, consumption, capital and volume of trade.

v. **Consumer Price Index** (CPI): This measures relative means of consumer or price of consumer goods in terms of price differences or in terms of percentages changes between one year and another. A decreasing CPI growth rate often indicates higher welfare of the citizens and thus higher growth in the economy.

2.3   Empirical Studies on the Impact of FDI on Economic Growth

Foreign direct investment (FDI) as a growth accelerating component has received a great attention in developed countries as well as developing and less developed countries during recent years. It has been a matter of greater concern for the economists, how FDI relate to economic growth of the host country's economy. In closed economy there is no access to the foreign instruments and savings, this type of economy solely based on the domestic savings and investment sources. But in open economy, the investment comes from both sources either from domestic savings or foreign capital inflows like FDI.(Njeru, Benedict, 2013) reported that a 1% increase in FDI/GDP leads to a 0.8% increase in future domestic investment in Africa compared to 1.17% in Latin America. Many exporting firms are found to locate foreign partners and either form joint ventures with them or hire them as agents for specific technology and/or marketing tasks.

Evidence on the link between FDI and economic growth is inconclusive. (Bosworth, Collins, & Reinhart, 1999), (Blomström & Kokko, 2003), and (Obwona, 2001) provide evidence on the positive effects of FDI on economic growth. Growth enhancing effect of FDI is not, however, automatic, but depends on various country specific factors. (UNCTAD,

2012), (Blomström & Kokko, 2003et al), and (Luiz Jr., 1997) indicate that the positive effect of FDI is stronger in countries with appreciable level of development. Higher level of development allows countries to reap the benefits of productivity fostered by foreign investment. For similar reasons, E. Borensztein , J. De Gregorio, 1998et al. have found that significant relations between FDI flows and economic growth depend on the level of human capital. Host countries with better endowment of human capital are believed to benefit more from FDI induced technology transfer as spillover- effects than others with less human capital.

However, (Alfaro, Chanda, Kalemli-Ozcan, & Sayek, 2010) affirmed that the contribution of FDI to growth depends on the sector of the economy where the FDI operates. He claimed that FDI inflow to the primary sectors tends to have a negative effect on growth, however, as for the service sector, the effect of DFI inflow is not so clear. (Durham, 2004) for example, failed to establish a positive relationship between Foreign Direct Investment (FDI) and growth but instead suggests that the effects of Foreign Direct Investment (FDI) are contingents on the absorptive capability of host countries. (Oyeranti, Babatunde, & Ogunkola, 2011) investigated the impact of globalization on foreign direct investment in Nigeria-since the world has become a global village. The methodology used is purely descriptive and narrative and the data used is secondary. It was found out that foreign direct investment (FDI) has been of increased benefit to Nigeria in the area of employment, transfer of technology, encouragement of local enterprises etc. But there are certain impediments to the full realization of the benefits of foreign direct investment. (Azman-Saini, Baharumshah, & Law, 2010) also explored the seemingly unrelated regression model to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption and pro-import and negatively related to gross domestic investment. In the same line, (Patricia & Izuchukwu, 2013) reported negative contributions of public investment to GDP growth in Nigeria for reasons of distortions. Oyinlola (1995) also conceptualized foreign capital to include foreign loans, direct foreign investments and export earnings. Using Chenery and Stout's two-gap model (Chenery & Watanabe, 1958) concluded that FDI has a negative effect on economic development in Nigeria.

Abubakar, Kassim, & Yusoff(2015) examined the relationship between domestic private capital accumulation and economic development in Nigeria covering the period 1970-2010, and using the approach of co-integration and error correction model, they found that inflation, interest rate, size of the public and private sectors, among others, play prominent role in domestic private capital accumulation in Nigeria. It also reveals that the private sector is growing at the period of study. In a related vein, (Al-sadig, 2013) employed ordinary least square method in the investigation of the effect of domestic investment on foreign direct investment (FDI). They found that private and public investments, human capital and market size are negatively related to foreign direct inflows, whereas trade openness and natural resources are positively related to FDI. Olufemi, 2012 in his empirical analysis of energy resources, domestic investment and economic growth in Nigeria found, among others that public investment is the channel through which energy resources enhance economic growth; the ability of investment to enhance economic growth is considerably debilitated by energy resources dependence; trade openness tend to reduce economic growth potentials; changes in price and exchange rate impact positively on the growth of the economy.

In the examination of foreign aid inflow on domestic saving in Nigeria, (Eregha, 2012) revealed that foreign aid inflow impacts positively on domestic saving while total debt service payment has negative effect on domestic savings. (Journal & Education, 2015) employed Vector Autoregressive (VAR) method in the study of inflation, savings and output in Nigeria for the period 1970-2010. The study showed that savings do stimulate output production while the opposite is got from inflation. Granger results show that changes in savings have desirable effect on output and output brings about changes in savings. Abubakar & Gani, (2013) studied real interest rate and savings mobilization in Nigeria using Vector-Auto-Regressive model. They found that real interest rate has negative effect on saving mobilization at the period of study.

2.4 Foreign Direct Investment and Economic Growth

The main idea underlying the FDI liberalization policies of many developing countries and the FDI promotion efforts of international donors such as the World Bank and the IMF is the notion that FDI inflows foster economic growth. As FDI is a composite bundle of capital stocks, know- how, and technology, its impact on economic growth is expected to be manifold

(De Mello, 1997; Dunning, 1992). In the ways through which FDI can affect economic growth we can distinguish direct and indirect effects.

Theoretical arguments assign a key role for FDI in economic growth. While these theoretical arguments are quite straightforward and widely accepted, the empirical evidence is much more ambiguous, or as (Guerra, de Lara, Malizia, & Díaz, 2009) puts it: "whether FDI can be deemed to be a catalyst for output growth, capital accumulation, and technological progress, seems to be a less controversial hypothesis in theory than in practice". The empirical macro - economic literature shows a clear link between FDI and GDP growth but the direction of causality is not always clear (Chakraborty & Nunnenkamp, 2008). Also when the heterogeneity of the host economies is recognized in empirical studies, the link between FDI inflows and growth becomes ambiguous (R. P. Pradhan, Norman, Badir, & Samadhan, 2013).

2.5 Foreign Direct Investment and Economic Growth of Nigeria

In the Federal Republic of Nigeria, foreign direct investment (FDI) is defined as investment undertaken by an enterprise that is either wholly or partly foreign-owned. The Investment Code that created the Nigerian Investment Promotion Commission (Decree No. 16 of16th January 1995) and the Foreign Exchange (Monitoring and Miscellaneous Provision) also enacted in 1995 give full legal backing for FDI in the country (UNCTAD, 2006).

Before 1970s, Nigerian foreign direct investment was mainly on agricultural products and raw materials. According to UNCTAD report (2009), the foreign direct investment in the oil sector amounted to only ten percent of total inflows in the early nineteen seventies. This simply means that FDI inflows were mainly focused in the commercial sector, making exportation of agricultural product favorable. Today, foreign direct investment focuses more on the oil sector. Majority of the investors in the Nigerian business environment had been from those countries where the oil barons had originated from. For example, The Royal Dutch Company Shell from the Netherlands, Total Oil from France and ENI from Italy as well as Exxon Mobil, Texaco and Chevron form the United States of America (UNCTAD, 2009).

Foreign Direct Investment (FDI) is often seen as an important catalyst for economic growth in the developing countries because it affects the economic growth by stimulating domestic investment, increase in capital formation and also, facilitating the technology transfer in

the host countries. (Chia & Ogbaji, 2013). (Ogunleye, 2014) as cited in Aremu2003, observes that foreign firms can raise the level of capital formation, promote exports and generate foreign exchange. Indeed, the role of FDI in capital formation in Nigeria has been increasing over the years. It is widely believed that economic growth depends critically on several factors. Notably it must be said that economic growth is reliant on both domestic and foreign investments (Onu, 2012). Equally, economic growth is the basic determinant of the rate of inflow of foreign direct investment in the country. Onu, (2003) cited inAremu (2005), attempt to establish a better relationship between investment and growth in Nigeria. FDI stimulates product diversification through investments into new businesses, stimulates employment generation, increase wages and accelerate declining market sectors of the host economies (Aremu, 2003).

It has been observed that domestic savings, if properly mobilized, can encourage an improvement in the economic activities through investment. One of the major economic problems of any developing and underdeveloped countries is inadequate savings. Inadequate domestic savings or inappropriate mobilization of savings for investment purposes is what is termed in the literature as savings constraint (SAVING GAP). This gap can be corrected by encouraging the foreign direct investment (FDI) otherwise known as foreign capital inflow. The major focus of this section is to indicate the effect of FDI on economic growth in Nigeria. Attracting foreign direct investment would tend to improve economic conditions while its volatility can trigger macro-economic instability in the country, especially Nigeria. From the literature, FDI is an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise operating in a country other than that of the investor as defined by the residency (World Bank, 2011). One of the purposes for which the New Partnership for Africa's development (UNAIDS and NEPAD, 2012) was established is to encourage the inflow of FDI inform of new technology, refined marketing strategy and management. (Asiedu, 2002)submits that the determinants of FDI in one region may not be the same for other regions. In that case, the major source of FDI in countries within a region may be different from one another with time variance.

Franco, (2013) argues that the evidence that FDI generates positive spillovers for host countries is weak. In a review of micro data on spillovers from foreign-owned to

domestically owned firms, Gorg and Greenwood (2002) conclude that the effects are mostly negative. Basu and Srinivasan (2002) analyzed FDI in African countries and argued that the main determinants of FDI flows in Africa can be divided into four categories – natural resource, specific locational advantage, policies towards FDI and economic reforms.

3.0 Methodology

The study used Ex-post facto research design as the most suitable method. The choice was made because both the dependent and independent variables of the study were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin and Financial review for the various years. The models used in this study are estimated using data on Foreign Direct Investment (FDI) and some macro-economic indicators, which includes: Gross Domestic Products (GDP) and Exchange Rate (EXR) for the period 2008 – 2017.

The variables used in the study are grouped into two; dependent variable and explanatory variables. The dependent variable which measures economic growth is GDP and the explanatory variables are Foreign Direct Investment and exchange rates.

For the purpose of this study, a multiple regression equation was adopted. Thus, the model of the study is as follows:

GDP=$f(FDI, EXR)$ where FDI= Foreign Direct Investment, and EXR=Exchange Rate.

From the above general equation, the regression model is derived as follows:

$RGDP_t = \beta_0 + \beta_1 FDI_t + \beta_2 EXR_t + \mu_t$

Where;

$RGDP$	= Real Gross Domestic Product
β_0	= Constant
β_1 to β_2	= Coefficient of explanatory variables
FDI	=Foreign Direct Investment
EXR	=Exchange Rate
μ_t	= Error term

For the purpose of this study, a multiple regression equation was used to measure the impact of Foreign Direct Investment on the economic growth of Nigeria for a ten year period (2008 – 2017) using the statistical package for social sciences (SPSS) version 13.

3.5 Measurement of Variables

Time series data covering a period of 10 years was estimated using ordinary least square technique (OLS). This technique was chosen as it provides Best Linear Unbiased Estimator (BLUE). Multiple regressions are used to analyze the data based on three criteria identified by Kutsoyiannis, (1977). The following techniques of estimation are employed in carrying out the co-integration analysis:

i.   Economic 'A priori' criteria

ii.   Statistical criteria.

iii. Econometric criteria.

3.5.1 Economic Criteria (A priori Expectation)

The economic a priori test shall be conducted to enable us examine the magnitude and sign of the parameters estimate. This evaluation is guided by economic theory to ascertain if the parameter estimate conforms to expectation.

3.5.2 Signs and magnitude of the parameter

The signs (+ or -) are the economic a priori condition set by economic theory and usually refers to sign and size of parameters of economic relationships. Thus they should conform to the a priori expectations. The parameters in the model are expected to have signs and sizes that conform to economic theory, if they do they are accepted, otherwise they are rejected. Unless there is an explanation to believe that in this instance the principles of economic theory do not hold.

The expected signs of the coefficient of the explanatory variable are,

$\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 \leq 1$.

β_0 is expected to be positive because there are other factors that determine the GDP aside from the ones stated in the model.

β_1 is expected to be positive because in macroeconomic theory, FDI is regarded as an injection in the economy.

β_2 when exchange rate increase, worth of the local currency is expected to increase, this will bring about increase in RGDP and vice versa. The value lies between 0 and 1.

3.6 Statistical Test

These are tests determined by statistical theory and aimed at evaluating their reliability of the parameter estimates. The respective value of estimate values of these parameters were obtained from the estimation result of OLS shows.

The statistical test were employed in this research work to test the significance of the parameters including the co-efficient of correlation r, F-test and student t-test using p-value

Co-Efficient of determination (r^2) determines the goodness of fit of the model. It simply tells us the total variation in the dependent variable that is attributed to changes in the explanatory variables. Put differently,r^2 shows the percentages of the total variation of the dependent variable that can be explained by the independent variables.

Student t-test determines the statistical significance of the parameter estimates. The T-statistics will be given in parenthesis beneath its parameters estimates.

The F-test is conducted for the individual and the overall level of significant of the model at 5% level, if F calculated for each independent variable is less than the chosen significant level, we conclude that the model is significant and if otherwise insignificant according to the rule of thumb. On the other hand, thus if the overall F calculated is less than the chosen level of significance, we can then conclude that the model is significant. If otherwise, insignificant (Gujirati 2004).

4.0   Empirical Results

The result of FDI and growth regressions are reported in table 3 which indicates a negative relationship between FDI and RGDP, which is implying that a percentage increase in FDI will decrease the RGDP, while on the other hand, there exist positive relationship between exchange rate and economic growth, meaning that; a percentage increase in exchange rate will increases the RGDP. All the variables were found to be statistically significant.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
RGDP	10	24296.33	91456.32	67828.6030	25974.35848	-.944	.687
FDI	10	1.089201	5.047660	2.68561390	1.181996438	.700	.687
EXRT	10	118.5460	365.4321	213.309710	103.7389700	.985	.687

Table 2 shows that RGDP figures fluctuate between a high of N 80,092 (billion) in 2013 and a low of N24,296 (billion) in 2008 averaging at N49,582 (billion) for the period. On the other hand, FDI for the time span ranges between a maximum of N5.04 (billion) to a minimum of N1.08 (billion) with a mean of N67828.60 and 2.685613 billion forthe10 years. The standard deviation for both RGDP and FDI are high at 25974.35 and 1.181996 respectively. It shows that the figure for GDP increases steadily for the 10 year period despite the dips in the early to late 2008 and 2009 then experiencing a steady but slow upward trend in the sub sequent years culminating in a peak value at the end of the duration, the depiction of the two variables also indicates that they have a positive direct relationship over the period.

Table 2: Summary Statistics

Case Summaries[a]

YEAR		RGDP	FDI	EXRT
2008		24296.33	3.939450	118.5460
2009		24794.24	5.047660	148.9017
2010		54612.26	1.638899	150.2980
2011		62980.40	2.147440	153.8616
2012		71713.94	1.540508	157.4994
2013		80092.56	1.089201	157.3112
2014		89043.62	2.964105	158.5526
2015		89023.93	2.673321	360.2413
2016		90272.43	2.883213	365.4321
2017		91456.32	2.932342	362.4532
Total	N	10	10	10
	Mean	67828.6030	2.68561390	213.309710
	Median	75903.2500	2.77826700	157.405300
	Range	67159.99	3.958459	246.8861
	Grouped Median	75903.2500	2.77826700	157.405300

Source: Author's computation using SPSS 13

Table 3: Regression coefficients for the impact of FDI on Growth

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	64449.846	15805.008		4.078	.005
	FDI	-12167.301	4221.062	-.554	-2.883	.004
	EXRT	169.029	48.095	.675	3.515	.010

a. Dependent Variable: RGDP

Table 4: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Durbin-Watson
					R Square Change	F Change	Sig. F Change	
1	.861[a]	.742	.668	14962.27216	.742	10.061	.009	1.819

a. Predictors: (Constant), EXRT, FDI
b. Dependent Variable: RGDP

The R Squared and adjusted R squared are found to be 86% and 74% respectively which shows that about 86% of the variation in RGDP is being accounted for by the explanatory variables, while only about 14% is been accounted for error term in explaining the model.

DW Statistics is 1.81, which shows that there is no autocorrelation which means that all the OLS biases were partly addressed which gives us Best Linear Unbiased Estimator (BLUE) in the model. The global overall F-Statistical test is less than 0.000% (i.e 0.00% < 0.05%). The F statistics which captures the joint significance however showed that that the variables are jointly significant (i.e 0.00 < 0.05%) at 5% significant level.

5. Policy implications and concluding remarks

Findings from chapter 4 show a negative relationship between foreign direct investment and economic growth in Nigeria. The results show that other factors also respond to FDI; in particular, the shocks from RGDP to human capital are positive indicating a direct proportional association between the two variables. This means that more growth leads to higher levels of employment opportunity and thus a higher level of human capital.

Based on the above, we need to enhance more gross capital formation in order to promote economic growth. Policy implications of these findings are that is a requirement for economic growth in Nigeria. The results also emphasize the need for the government to weed out deep rooted vices such as corruption, reinforce security especially in the wake of terror attacks (Boko Haram, Niger-Delta Militants, among others).We also need to channel investment into infrastructure and generally create an enabling environment to competitively gain more FDI funds to integral facets of our economy. Finally, recent developments in projects which foreign affiliates are in the bidding for contracts, policies should be crafted to control the repatriation of profits from Nigeria. Rather, a bulk of these funds should be reinvested in more needy sectors especially towards human development as growth in the GDP would be immaterial if the same doesn't reflect positively on the populace by translating to improved living standards which is in line with the vision 2020 that aims to transform Nigeria into a newly industrializing, middle – income country providing a high quality of life to all its citizens by 2020 in a clean and secure environment.

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