



International Capital Inflow and Economic Growth in Nigeria

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Abstract – This study examined the impact of international capital inflow on economic growth in Nigeria using time series quarterly data from 1991Q1 to 2023Q4. The specific objectives of the study were to evaluate the impact of international capital inflow on economic growth; determine the direction of causality between international capital inflow and economic growth and to determine the nature of the relationship between international capital inflow and economic growth in Nigeria. The study carried out pre-estimation tests to check for the order of integration and the existence of a long run relationship among the variables. Classical Multiple Regression Model and the Autoregressive Distributed Lag (ARDL) model were applied. The Classical Multiple Regression Model was adopted because of its Best Linear unbiased Estimator (BLUE) property while ARDL was used to capture both long run and short run dynamics. The variables used in the study were the growth of the Real Gross Domestic Product (RGDPgr), Foreign Direct Investment (FDI), Exchange Rate (EXR), Remittances, Trade Openness (TOP)), and the Gross Fixed Capital Formation (GFCF). The findings of the study showed a significant negative impact of the Foreign Direct Investment (FDI), Gross Fixed Capital Formation (GFCF) on economic growth in Nigeria. The result also showed that Exchange Rate (EXR), Remittances (REM), and Trade Openness (TOP) had positive significant impact on economic growth in Nigeria. The result of the ARDL indicated that remittances and gross fixed capital formation had negative and insignificant impact on economic growth in Nigeria while Trade Openness (TOP) had significant positive relationship with economic growth both in the short run and the long run. The result of the co-integration test indicated a long run relationship between international capital inflow and economic growth in Nigeria. The study also found no evidence of direction of causality relationship between capital inflow and economic growth. The study therefore recommends the need to consciously improve the business environment such as insurgence, kidnapping and other related security threat to enable capital inflow contribute more to economic growth in Nigeria. The study also recommends that government should develop Nigeria's local financial markets for easy inflow of capital.

Keywords - Capital inflow; Economic growth, Model; Trade openness;; Inflation

I. INTRODUCTION

International capital inflow is a useful source of funding for domestic economic growth, measured in the balance of payments. Capital inflows are in the form of foreign direct investment (FDI) (investing in physical assets) and portfolio investment (PI) (buying stocks or bonds). The inflow of this capital is usually attracted by high real interest rates within a country and lower rate may trigger outflows. Capital inflows are crucial in financing local business growth and infrastructure, but excessive amounts can lead to economic overheating, currency appreciation, and financial instability if they quickly reverse. Capital inflows to Nigeria have evolved from the period of colonial investments to a diversified mix of foreign direct investment (FDI), foreign portfolio investment (FPI), and remittances. This grossly affected the oil sector, economic reforms, and, more recently, financial market volatility in Nigeria. Foreign direct investment was the most prominent but was overtaken by foreign portfolio investment in the late 2000s.

Nigeria has experienced a drastic shift from agriculturally based economy of 1960s to economic growth has shifted from a 1960s agricultural base to an oil-dependent economy in 1970s and 1980s. This shift witnessed boom-bust cycles and structural adjustments that lead to insignificant economic diversification. Nigeria is the

largest economy in Africa apart from South Africa. The country has an economy with significant growth in services, telecommunications, and manufacturing, but it growth is being constrained by high poverty, infrastructure deficits, and low diversification.

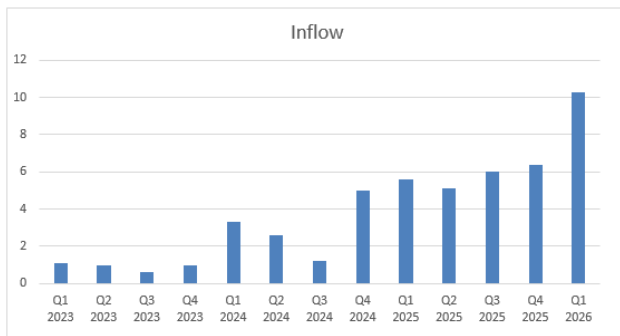
It is now widely acknowledged that foreign capital inflow is an essential aspect of the recent wave of globalization. Nigeria's Foreign Direct Investment (FDI) flows in 2017 dropped by 21% to reach USD3.5 billion which could be as a result of political instability, lack of transparency, widespread, corruption and poor quality of infrastructure (UNCTAD, 2018).

Capital inflows comprise Official Development Assistance (ODA), Foreign Direct investment (FDI). Nigeria experienced a likely reduction in Official Development Assistance (ODA) in 2024, as the OECD reported a 9% drop in global ODA for that year due to cuts by major providers like the US, UK, Germany, and France. This global trend suggests a decreased inflow of ODA for Nigeria, which primarily serves as a supplement to domestic resources for development in sectors like infrastructure, education, and healthcare. Nigeria's ODA in 2024 was \$3.37 billion, an increase of 6.2% from the previous year (CBN, 2026).

Capital inflows provide essential resources for infrastructural development, industrialization, and bring technological advancements necessary for overall economic growth and productivity. Foreign capital helps to bridge the gap between domestic savings and investment needs, enabling more substantial investments in productive assets that aid productivity.

International capital inflows have a significant but varied relationship with output productivity in Nigeria, with FDI showing potential to boost productivity in sectors like manufacturing . Studies indicate a positive link between capital inflows and GDP, but success hinges on leveraging these funds for productive investment, fostering technological advancements, and addressing structural impediments such as inadequate infrastructure.

Empirical realities in many Sub-Saharan African countries, including Nigeria, present a more complex and less conclusive narrative. Despite substantial inflows of foreign capital between 1991 and 2023, Nigeria's economic growth has been characterized by volatility, structural fragility, and vulnerability to external shocks. The Nigeria's capital inflow from 2023 to 2026 was displayed in figure 1.



This raises critical concerns regarding the extent to which international capital inflows have contributed to genuine structural transformation in Nigeria. A significant concern relates to the sectoral composition and absorptive capacity of foreign direct investment. Although FDI has the potential to generate technological spillovers and enhance productivity (Borensztein, De Gregorio, & Lee, 1998), evidence suggests that FDI in Nigeria has been heavily concentrated in the oil and gas sector, thereby limiting linkages with the broader domestic economy.

Despite extensive liberalization policies and investment promotion reforms since the Structural Adjustment Programme era, structural bottlenecks—including institutional weaknesses, regulatory uncertainty, corruption, and heavy dependence on oil exports—persist. Dependency theorists argue that excessive reliance on foreign capital may reinforce structural vulnerabilities rather than promote sustainable development (Frank, 1967). Thus, the coexistence of substantial international capital inflows and unstable economic growth in Nigeria

presents a paradox that challenges conventional theoretical expectations.

The relationship between Foreign Direct Investment and the growth of GDP was shown in figure 2.1

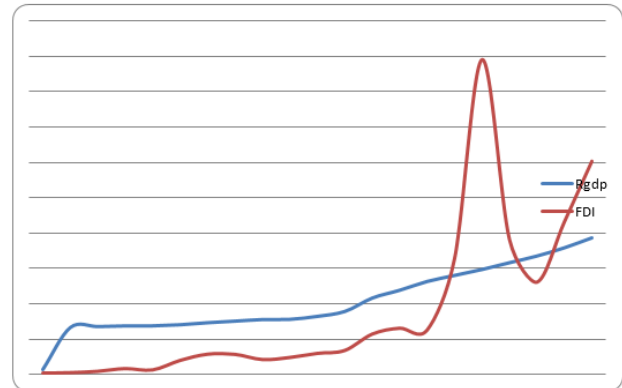


Figure 2.1: The relationship between RGDP and FDI in Nigeria

The trend of FDI was lower than that of the growth of RGDP from 1990 to 2004 and later rose to the apex in 2005. The trend of FDI decreased from 2006 till 2008 when the two trends were equal.

Given these structural and macroeconomic complexities, it remains empirically unclear whether foreign direct investment and remittances have exerted significant short-run and long-run effects on economic growth in Nigeria, particularly within the context of inflationary pressures, exchange rate instability, and fluctuating domestic capital formation between 1991 and 2023.

This study seeks to critically examine the dynamic relationship between international capital inflows and economic growth in Nigeria by incorporating key macroeconomic conditioning variables. It aims to reconcile theoretical predictions with Nigeria's empirical growth experience and provide policy-relevant insights into whether international capital inflows have functioned as catalysts for sustainable development or whether structural and macroeconomic constraints have limited their growth-enhancing potential.

This study contributes to the literature by examining the relationship between FDI inflows and Nigeria's economic growth, hence addressing the country's specific dimension to the FDI growth debate. The study is different from previous studies in scope (number of years considered is longer). In addition, the effect of the major components of FDI on economic growth is examined, thereby offering the opportunity to assess the differential impact of oil FDI and non-oil FDI on Nigeria's economic growth. The study made conscious effort to address the endogeneity issue, and provide justification for the unrelenting efforts of the government to attract FDI, which are being misunderstood



and resisted by the Nigerian populace. Based on the above discussion, this paper addressed the following questions.

- What is the impact of capital inflow on economic growth in Nigeria?
- What is the direction of causality between capital inflow and economic growth in Nigeria?
- What is the nature of the relationship between capital inflow and economic growth in Nigeria?

The overall objective of this study is to examine the impact of international capital inflow on economic growth in Nigeria. However, the specific objectives are stated as follows:

- To evaluate the impact of capital inflow on economic growth in Nigeria.
- To determine the direction of causality between capital inflow and economic growth in Nigeria.
- To determine the nature of the relationship between capital inflow and economic growth

This paper will provide policy makers as it provides deep insight into the impact of international capital inflow on output productivity in Nigeria. It will be a guiding instrument for policy makers from the stage of formulation to the proper use of international capital inflow. This study focuses on the relationship between international capital inflows and economic growth in Nigeria.

II. LITERATURE REVIEW

Different theories were reviewed in order to obtain the theoretical base of this paper. Robert Solow and Trevor Swan first introduced the neoclassical growth theory in 1956. The theory states that economic growth is the result of labour, capital, and technology. It outlines how a steady economic growth rate results from a combination of the driving forces. The theory states that short-term equilibrium results from varying amounts of labour and capital in the production function in addition to technological change.

Endogenous growth theory was traced back to the 1980s as a reaction to neoclassical growth theory. Endogenous growth theory emphasizes the role of internal factors, like technological change, innovation, and human capital, in driving economic growth. Endogenous growth theory questioned how gaps in wealth between developed and undeveloped countries could persist if investment in physical capital like infrastructure is subject to diminishing returns. The endogenous growth theory traces the rate of growth of output per capita to savings and efficiency.

There are many empirical works on the relationship between foreign direct investment and economic growth. Some of these works have different outcome. Alabi (2022) investigated the impact of foreign direct investment on economic growth in Nigeria using ordinary least square.

The paper found out that FDI had significant positive effect on economic growth within the period under investigation. The result is in order with John (2016), Yiew and Lau (2018) and Akpan, et al (2021).

Fashina, et al (2018) investigated the relationship between foreign aid and human capital in promoting economic growth in Nigeria using VECM estimation technique. The showed that growth in Nigeria is sensitive to human capital shock via education but the response from aid shock was quite insignificant in the long run.

Oluitan and Dada (2020) studied the effect of foreign capital flow on economic growth in Nigeria, between the period of 1960 and 2016. The paper applied Error Correction technique and found out that foreign aid had a positive influence on economic growth in Nigeria. Modibbo, et al, (2019) examined the effect of foreign aid on economic growth of 11 OPEC member countries between using system generalized method of moment (GMM). The findings showed that foreign aid had significant negative effect on economic growth. Duru, et al., (2020) also investigated the effect of foreign aid on economic growth in Nigeria from 1984 to 2017 using Autoregressive Distributed-Lag (ARDL) model. The result revealed that foreign aid did not show significant impact on economic growth in Nigeria both in the short-run and the long-run.

In the same vein, Albert et al, (2021) examined the relationship between foreign aid and economic growth in Nigeria from 1988 to 2018 using OLS technique. The results indicated that foreign aids positively determine GDP growth rate, while poverty and unemployment rates were found to be adversely affecting the GDP growth rate over the study period.

El-Rasheed and Abdullahi (2022) examined the relationship between FDI and economic growth in Nigeria using ARDL. The ARDL result indicated that FDI, exchange rate depreciation and capital formation had long term effects on economic growth while labour force exerted negative effect. Nnubia, et al, (2022) examined the relationship between foreign debt, foreign aid and economic growth in Nigeria using secondary data sourced from the CBN. The paper employed Pearson Correlation Matrix found that economic growth had a strong positive correlation with foreign reserves, foreign aid and rate of openness of the economy; but had negative correlation with external debts.

Asaleye, et al (2023) used Nigeria's quarterly data, ranging from 2002 to 2021, to investigate the asymmetric effects of aggregated aid inflows on growth and employment in the country. The study employed Non-linear ARDL and VECM techniques for the analysis. The results obtained showed both positive and negative shock effects of aggregate aid on growth in the long run and short run, respectively. The findings revealed that positive shock in

education and health aid increases employment in the long run, while positive shock in health and industry aid undermines growth in the short run.,

Kutu & Ohonba (2024) examined the impact of foreign capital inflows on economic growth in Nigeria between 1984 to 2020 using Autoregressive Distributed Lag (ARDL) model. The ARDL long-run result revealed that FDI and REM exert strong positive effects on economic growth. Bello & Suleiman (2023) using ARDL and ECM models, studied the impact of capital inflow on economic growth in Nigeria. The findings of the paper showed that external debt and remittances negatively impact economic growth, while FDI and foreign aid have positive but insignificant effects. The results of Kutu and Ohonba (2024) and Bello & Suleiman (2023) were consistent with Nkwagu, et al. (2025)

The existing literature could not use high frequency data to capture quarterly effect of international capital inflow on economic growth in Nigeria and many did not use pre-estimation tests to fish out the necessary properties of the variables used in the model. It is based on this that this study became useful especially for the case of Nigeria.

III. MODEL

The model used in this paper was the autoregressive distributed lag (ARDL) model. The choice of autoregressive distributed lag model (ARDL) among other estimation techniques was based on its ability to investigate the long term relationship between variables that have a mixed order of integration (Pesaran et al., 2001). The functional form of the model was specified as:

$$GDPGR = f(FDI, REM, EXR, TOP, GFCF) \dots\dots\dots(1)$$

Where; GDPGR = The growth of gross domestic product (Economic Growth)

FDI = Foreign Direct Investment

REM = Remittances

EXR = Exchange Rate

TOP= Trade Openness

GFCF = Gross Fixed Capital Formation.

The Econometric form of the model was specified as:

$$GDPGR_t = \beta_0 + \beta_1 FDI_t + \beta_2 REM_t + \beta_3 EXR_t + \beta_3 TOP_t + \beta_6 GFCF_t + U_t \dots\dots\dots 3.3$$

Where:

U_t = The error term

t = the time series property of the respective variables.

β₀ = Intercept term or constant parameter.

β₁, β₂, β₃, β₄, β₅, and β₆ = The Regression parameters of the respective explanatory variables.

All the variables remained as defined

In this study the autoregressive and distributed lag (ARDL) estimator was employed, hence, the ARDL model was specified as:

$$\begin{aligned} \Delta RGDPGR_t = & \alpha_0 + \sum_{i=1}^n \beta_1 \Delta RGDPGR_{t-i} + \sum_{i=1}^n \beta_2 \Delta FDI_{t-i} + \sum_{i=1}^n \beta_3 \Delta REM_{t-i} \\ & + \sum_{i=1}^n \beta_4 \Delta EXR_{t-i} + \sum_{i=1}^n \beta_5 \Delta TOP_{t-i} + \sum_{i=1}^n \beta_6 \Delta GFCF_{t-i} + \gamma_1 RGDP_{t-1} + \gamma_2 FDI_{t-1} \\ & + \gamma_3 REM_{t-1} + \gamma_4 EXR_{t-1} + \gamma_5 TOP_{t-1} + \gamma_6 GFCF_{t-1} + \varepsilon_t \end{aligned}$$

Where, Δ is the first difference operator, and α₀ is the drift component. The expressions with summation sign (β₁-β₆) represents the short-run dynamics of the model, while the coefficients (γ₁-γ₆) represents long-run relationship and ε_t is the serially uncorrelated disturbance with zero mean and constant variance.

In the presence of cointegration, then the error correction (ECM) form of the ARDL otherwise known as the restricted ECM was specified as:

$$\begin{aligned} \Delta RGDPGR_t = & \alpha_0 + \sum_{i=1}^n \beta_1 \Delta RGDPGR_{t-i} + \sum_{i=1}^n \beta_2 \Delta FDI_{t-i} + \sum_{i=1}^n \beta_3 \Delta REM_{t-i} \\ & + \sum_{i=1}^n \beta_4 \Delta EXR_{t-i} + \sum_{i=1}^n \beta_5 \Delta TOP_{t-i} + \sum_{i=1}^n \beta_6 \Delta GFCF_{t-i} + \gamma_1 RGDP_{t-1} + \gamma_2 FDI_{t-1} \\ & + \gamma_3 REM_{t-1} + \gamma_4 EXR_{t-1} + \gamma_5 TOP_{t-1} + \gamma_6 GFCF_{t-1} + \gamma_7 ECT_{t-1} + \varepsilon_t \end{aligned}$$

Where; γ₇ is the rate of adjustment toward the long-run equilibrium given the previous disequilibrium in the dependent variable and ε_t is the uncorrelated error.

The selection of the variables was based on the endogenous growth theory which emphasize capital accumulation, openness, and macroeconomic stability as fundamental drivers of output growth.

The paper further applied Granger causality test to find out the direction of causality relationship between foreign direct investment and economic growth in Nigeria (Asogwa, et al 2023) The Granger causality test was compactly specified as:

$$Y_t = \sum_{i=1}^k \delta_{11i} Y_{t-1} + \sum_{i=1}^k \delta_{12i} Y_{t-1} + U_{1t} \dots\dots\dots 3.9$$

$$X_t = \sum_{i=1}^k \delta_{21i} Y_{t-1} + \sum_{i=1}^k \delta_{22i} Y_{t-1} + U_{2t} \dots\dots\dots 3.10$$

where Y = dependent variable, X = independent variables in the model, t = the current period of the variables and t-1 = the lagged period of the variables, δ₁₁ to δ₂₂ = the coefficients of the lagged variables and U₁ and U₂ = mutually uncorrelated white noise error terms.



Post-estimation tests were carried out using normality test, autocorrelation and heteroscedasticity tests to check for the robustness of the estimates. The data used in this paper were sourced from the statistical bulletin of the Central Bank of Nieria (2024). The data were transformed to quarterly series covering 1991Q1–2023Q4. The Econometric Software for the data estimation was EView 13

IV. RESULTS

Descriptive statistics was estimated and its results were presented in table 1. It described the mean, median, maximum, minimum, standard error, skewness, kurtosis and Jaque-Bera statistics of all the variables used in the model.

Table 1: The Result of Descriptive Statistics

	GDPGR	FDI	EXR	REM	TOP	GFCF
Mean	4.548298	326192.3	169.4373	3.418525	37.59788	2762745.
Median	4.631193	80750.40	132.8600	3.998536	38.23000	1935040.
Maximum	15.32916	1889205.	543.0000	8.333829	53.28000	8151272.
Minimum	-2.035120	264.3000	9.865000	0.108433	20.72000	35423.90
Std. Dev.	4.171477	534061.2	139.4157	2.377209	8.649472	2741138.
Skewness	0.519141	1.828734	1.077184	0.031909	-0.079816	0.567567
Kurtosis	3.321853	5.124465	3.449493	1.807743	2.378373	1.849443
Jarque-Bera	6.498904	98.39733	26.63841	7.840517	2.265463	14.36770
Probability	0.038795	0.000000	0.000002	0.019836	0.322152	0.000759
Sum	600.3754	43057380	22365.73	451.2452	4962.920	3.65E+08
Sum Sq. Dev.	2279.560	3.74E+13	2546214.	740.2969	9800.550	9.84E+14
Observations	132	132	132	132	132	132

The result of the descriptive statistics showed that the mean value for the growth of gross domestic product was 4.548 while Foreign Direct Investment (FDI), Exchange Rate (EXR), Remittances (REM), Trade Openness (TOP) and Gross Fixed Capital Formation (GFCF) were 326192.3, 169.4373, 3.418525, 37.59788, and 2762745 respectively. GFCF had the highest mean value and followed by FDI.

EXR	0.22582 9	0.89804 4	1.00000 0			
REM	0.21471 8	0.39594 2	0.54089 1	1.00000 0		
TOP	0.50496 2	0.13634 4	0.11222 7	0.13856 7	1.00000 0	
GFCF	0.07065 4	0.83625 3	0.92786 8	0.58555 1	0.24228 0	1.00000 0

The minimum values for Real Gross Domestic Product (GDPGR), Foreign Direct Investment (FDI), Exchange Rate (EXR), Remittances (REM), Trade Openness (TOP) and Gross Fixed Capital Formation (GFCF) were - 2.035120, 264.3000, 9.865000, 0.108433, 20.72000 and 35423.90 respectively. The minimum values for the variables showed large variation among them. The range of the minimum values was from -2.035120 to 35423.90. The result further showed the Jarque-Bera statistic of each variable with their respective probability. The outcome of the Jarque-Bera indicated that all the variables used were not normally distributed except trade openness whose probability value exceeded 0.05. The result indicated that all the variables skewed to the right except trade openness which had a negative sign.

A correlation test was carried out in order to find the extent of linearity between variables used in the model. The result of the correlation matrix was presented with the aid of Table 2

Table 2: Correlation Matrix

	GDPGR	FDI	EXR	REM	TOP	GFCF
GDPGR	1.00000 0					
FDI	0.10176 6	1.00000 0				

The result of the correlation matrix showed that all the elements within the lower matrix were lower than 0.8 except Foreign Direct Investment and Gross Fixed Capital Formation, and Exchange Rate and Gross Fixed Capital Formation whose elements were 0.836253 and 0.927868 respectively.

Augmented Dickey-Fuller (ADF) unit root test was conducted to fish out the order of integration of the series used in the model. The result was presented with the aid of table 3.

Table 3: Result of the ADF Unit Root Test

Variables	Level form	ADF 5% Critical value	First Diff	Second Diff	Order of Integration
GDPGR	- 2.080 626	- 2.8835 79	- 11.35 418	***	I(1)
FDI	- 0.352 485	- 2.8835 79	- 11.41 809	***	I(1)
EXR	1.635 467	- 2.8835 79	- 3.944 714	***	I(1)



REM	- 1.877 619	- 2.8835 79	- 11.35 347	***	I(1)
TOP	- 2.686 828	- 2.8835 79	- 11.32 107	***	I(1)
GFCF	0.756 504	- 2.8835 79	- 55.03 636	***	I(1)

The result of the unit root test showed that all the variables were integrated of order one, I (1) as their respective ADF statistics were individually greater than ADF 5% critical values only after first difference. A co-integration test was carried out using Augmented Dickey-Fuller to find out the existence of a long run relationship among the variables and the result was shown in table 4.

Table 4: Result of ADF co-integration Test

			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-2.930714	0.0446
Test critical values:	1% level		-3.482453	
	5% level		-2.884291	
	10% level		-2.578981	
*MacKinnon (1996) one-sided p-values.				

Table 4 showed that the variables were co-integrated as the Augmented Dickey-Fuller test statistic of the residual was higher than the 5% level test critical value.

Autoregressive distributed lag model was estimated with the intention of capturing both the short run and the long run effect of capital inflow on economic growth in Nigeria. The result was presented in Table 5.

Table 5: Results of short run ARDL

Variables	Coefficient	Std Error	t-statistic	Prob
D(FDI)	0.000000	0.000001	0.602686	0.5478
D(REM)	-0.327751	0.233866	1.401449	0.1636
D(EXR)	0.006350	0.004166	1.524316	0.1300
D(TOP)	0.044669	0.021658	2.062486	0.0413
D(GFCF)	-0.000000	0.000000	1.735701	0.0851
CointEq(-1)	-0.158004	0.048413	3.263658	0.0014

The result of the short run dynamic of the ARDL showed that remittances and gross fixed capital formation had negative and insignificant impact on economic growth in Nigeria. An increase in remittances in a short period decreased economic growth by 0.327751 with t-statistic and P-value of -1.401499 and 0.1636 respectively. In the

same vain, an increase in GFCF (investment) decreased investment by 0.000 with P-value of 0.0851. The result is closer to the a priori expectation as the period may be too short to create an impact more than zero.

The result further indicated that foreign direct investment (FDI), exchange rate (EXR) and trade openness (TOP) had positive relationship with economic growth in Nigeria. The coefficients of foreign direct investment, exchange rate, and trade openness were 0.000, 0.0064 and 0.045 respectively. An increase in FDI in a short period gave zero effect on economic growth with t-statistic of 0.603 and P-value of 0.5478. It was shown in the result that an increase in exchange rate had 0.00635 effect on economic growth while an increase in trade openness increased economic growth by 0.044669 in Nigeria within the period under investigation. The impact of trade openness was statistically significant with t-statistic of 2.0623 and P-value of 0.0413. The significance of trade openness in a short run may be attributed to the fact that Nigeria is import dependent country. The speed of adjustment of the residual back to equilibrium was correctly signed and showed 15.8% possibility of going back to equilibrium. The result of 15.8% speed of adjustment is realistic as because capital inflows do not immediately translate into growth due to absorptive capacity constraints, institutional bottlenecks, financial market frictions and policy transmission delays

The long run impact of capital inflow was estimated in order to investigate its impact when sufficient time for adjustment is given. The result of the long run ARDL was presented in Table 6.

Table 6: Result of the Long run ARDL

Variables	Coefficient	Std Error	t-statistic	Prob.
FDI	0.000003	0.000005	0.568593	0.5707
REM	0.241432	0.531705	0.454072	0.6506
EXR	0.040191	0.024778	1.622034	0.1074
TOP	0.282710	0.124844	2.264518	0.0253
GFCF	-0.000002	0.000001	1.713640	0.0891
C	-8.548154	5.017628	1.703624	0.0910

The result of the long run ARDL showed that all the variables had positive impact on economic growth except gross fixed capital formation. Foreign direct investment, remittances, and exchange rate individually had insignificant impact on economic growth with coefficient of 0.000003, 0.241432, and 0.040191 respectively. The result further indicated that trade openness had significant impact on economic growth in Nigeria with t-statistic of 2.2645 and P-value of 0.0253.



The result of the granger causality test which was carried out to detect the direction of causality among the variables was presented with the aid of Table 7

Table 7: Results of the Granger Causality

Null Hypothesis:	Obs	F-Statistic	Prob.
FDI does not Granger Cause GDPGR	130	1.1511 1	0.3196
GDPGR does not Granger Cause FDI		0.2108 1	0.8102
REM does not Granger Cause GDPGR	130	0.1270 0	0.8808
GDPGR does not Granger Cause REM		0.8662 7	0.4230
EXR does not Granger Cause FDI	130	8.1181 7	0.0005
FDI does not Granger Cause EXR		0.3820 0	0.6833
GFCF does not Granger Cause FDI	130	5.0923 2	0.0075
FDI does not Granger Cause GFCF		1.2460 6	0.2912

The result of the Granger causality test showed no evidence of direction of causality relationship between capital inflow and economic growth in Nigeria. The P-values of each of the components of capital inflow and economic growth were individually greater than 0.05. The result further indicated a unidirectional causality flowing from exchange rate to foreign direct investment; Gross Fixed Capital Formation to Foreign Direct Investment, and remittances to gross fixed capital formation.

V. CONCLUSION

The result of the short run dynamic of the ARDL showed that remittances and gross fixed capital formation had negative and insignificant impact on economic growth while Foreign Direct Investment (FDI), Exchange Rate (EXR) and Trade Openness (TOP) had positive relationship with economic growth in Nigeria. The impact of trade openness on economic growth was statistically significant within the short run and the long run. Based on this, this paper concludes that foreign direct investment had insignificant impact on economic growth in Nigeria.

The result of the co-integration test indicated a long run relationship between capital inflow and economic growth in Nigeria. This was justified by the result of the Augmented Dickey-Fuller co-integration test. Therefore, this paper also concludes that a long run relationship existed among the series within the period under investigation.

The result of the Granger causality test pointed out no evidence of direction of causality relationship between

capital inflow and economic growth in Nigeria as indicated by their respective p-values. Based on this result, this paper also concluded that there was no direction of causality between foreign direct investment and economic growth in Nigeria. This paper recommended the need for enhancing important factors such as the host country's infrastructure, its integration into the world trade systems and the availability of relevant national competences.

The security situation in Nigeria needs to be given immediate attention as this incessant occurrence of bomb blasts, militancy and kidnappings, Boko Haram terrorism cannot encourage any meaningful investor.

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