

Economic Indicators as Correlates of Inward Foreign Direct Investment in Nigeria

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Abstract : This study examined economic indicators as correlates of inward FDI. An exploratory research design was used to obtain annual published data on inflation rate, market size, exchange rate, political instability, human development, and infrastructure from Central Bank of Nigeria, National Bureau of Statistics, Nigerian Capital Market, Nigeria Institute of Social and Economic Research, and UNCTAD. Data generated were analyzed using Pearson correlation, analysis of variance and regression. The findings of the study revealed that market size ($r = 0.852$, $p < 0.001$), infrastructure ($r = 0.264$, $p < 0.001$), human development ($r = 0.154$, $p < 0.01$) and exchange rate ($r = 0.178$, $p < 0.05$) correlate positively with inward FDI, while inflation rate ($r = -0.88$, $p < 0.001$), and political instability ($r = -0.102$, $p < 0.05$) correlate negatively with inward FDI. Findings also revealed that the economic indicators significantly predicted inward FDI ($R^2 = 0.913$; $F(1,19) = 29.40$; $p < 0.05$) for Nigeria. It was concluded that exchange rate, market size, human development, and infrastructure positively related to inward FDI while the high level of inflation and political instability negatively related to inward FDI. Therefore, it was suggested that policy makers and government agencies should readdress steps and design policies that would encourage more FDI into the country.

Keywords : exchange rate, foreign direct investment, human development, inflation rate, infrastructure, market size, political instability

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