

ABSTRACT

IMPACT OF FDI ON THE NIGERIAN ECONOMY: NEGATIVE, POSITIVE OR MIXED EFFECTS?

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This research concerns the impact of foreign direct investment (FDI) on the Nigerian economy in a mixed methods study. Using a convergent parallel mixed research methods design, the quantitative study applied econometric analysis to measure the effects of FDI on selected aspects of the economy, and then multiple qualitative analysis techniques were used to understand how FDI creates these effects through its linkages with local firms in the country. FDI is recognized as a contributor to the economic development of countries through job creation, knowledge and technology transfer, market access, and increased productivity. On the effects of FDI on the economy, findings reveal that the impact of FDI on GDP is not significant, however its effects on the export performance of the country is significant. With Nigeria as an attractive destination for oil and gas investments, and its mono-product economic status due to oil accounting for 90% of its exports, this is not surprising.

Despite the mixed results from the quantitative study, the qualitative research does reveal that FDI can improve productivity through its linkages with local firms. Using thematic, domain and network analysis on the data collected from an interview with 15 local firms in the agricultural sector, the study found that firms experienced an improvement in their product quality, sales income as well as productivity. Further analysis revealed a possible effect on other local firms in a business relationship with the firms under study. These improvements in local firms performance are due to the spillovers transferred from the multinationals in order for them to meet their inputs supply conditions.

Implications from the study is that policies that strengthen linkages and facilitate spillovers from FDI within the local economy should be implemented in order for the impact of FDI to be significant on the broader macroeconomy.

Keywords: (FDI, spillovers, backward linkages, productivity, GDP, exports)