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# The Impact of Foreign Direct Investment (FDI) on Economic Growth and Development in Nigeria: Prospects, Challenges, and Policy Implications

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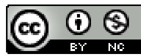
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**ABSTRACT**

Foreign direct investment (FDI) has long been viewed as a vital component of economic growth in developing countries, particularly in Nigeria, Africa's largest economy. This paper explores the complex relationship between FDI and Nigeria's economic development, highlighting both the potential benefits and challenges. FDI contributes capital, technology transfer, and expertise, which can diversify the economy and create employment. However, it also poses risks such as capital flight, environmental degradation, and cultural homogenization. Using empirical studies and case analyses, the paper examines the determinants of FDI inflows and outflows, the role of institutional and legal frameworks, and the impact of foreign capital on Nigeria's economic trajectory. Additionally, the research outlines the critical challenges, including corruption, infrastructure deficits, and regulatory hurdles, while offering insights into policy strategies aimed at optimizing FDI for sustainable growth.

**Keywords:** Foreign Direct Investment (FDI); Economic Growth; Nigeria; policy Frameworks.

## INTRODUCTION

First, from an advanced standpoint, foreign investment refers to the acquisition of assets in a foreign country, beyond passive portfolio investments. It entails a high degree of control and involvement in the management of the foreign enterprise. Nigeria, Africa's largest economy and most populous nation, has long recognized the significance of foreign investment in driving economic growth and development. With a population exceeding 200 million and a GDP of over $400 billion, Nigeria presents vast market potential and opportunities for foreign investors (James, 2018). Despite its natural resources and market potential, Nigeria's economy faces challenges like slow growth, infrastructure deficits, and reliance on oil exports. Foreign investment can bring much-needed capital, technology, and expertise to key sectors, diversify the economy, and

create jobs. However, the relationship between foreign investment and economic development in Nigeria is complex and multifaceted. It is important to state that foreign investment has the potential to drive the economy, however it poses significant challenges including the risk of capital flight, environmental degradation and cultural homogenisation. This paper provides a critical analysis of the relationship between foreign investment and economic growth in Nigeria examining the benefits and challenges.

## IMPORTANCE OF FOREIGN CAPITAL

Foreign Direct Investment is a major and stable form international capital flow. It signifies not only capital presence, but also a means through which innovative ideas spread beyond the domestic territory where initially originates (Hindelang, 2009). It is a valuable means of capital due to its role in the transfer of technology. The difference between Foreign Institutional Investment (FII) and Foreign Direct Investment (FDI) is a matter of degree of capital flow. Foreign Direct Investment (FDI) is a direct investment into production or business in a country by an individual or company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI is a mere a transfer of ideas, skill and management from the home country to host country. Home country is the country from where investment originates and the destination of investment is known as the host country.

Adams (2009) conclude that though FDI is regarded less volatile than FII, there is also a possibility for foreign firms to leave host country if they find more attractive profit opportunities somewhere else. The time horizon of Foreign Direct Investor is more vis-à-vis portfolio investor. The empirical study of Albuquerque (2003) confirms the fact that FDI is less volatile than portfolio investment. Due to the productive aspect of FDI, policymakers at large formulate policies so as to make their country more attractive for foreign capital.

## IMPORTANCE OF FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

Capital inflows can be of two types: portfolio investment and Foreign Direct Investment. FDI is widely considered as one of the preferred international capital due to its resilience during financial crises vis-à-vis Debt and equity (Kottaridi and Siourounis (2007)). Sometimes amid crisis ownership transfer takes place if other forms of international investment disappear (Krugman, 1998). Many studies throw light on the positive aspect of FDI and how the arrival of foreign fund stimulates technology. FDI stimulates technological advancement by means of providing required capital and skill and in turn, improves the productivity of the hosts (Bekhet and Mugableh (2013), Chudnovsky and Lopez (1999), Fedderke and Romm (2006). The other group of researcher believes that FDI brings crowding effect on domestic investment by the destructive competition of foreign multinationals.

Many policy frameworks are in place in order to attract foreign capital. The belief is that, on the one hand, the foreign fund will complement domestic investment and on the other, it will create a better technological space for the domestic firm (Okide, 2019; Okide, 2020). There has been a phenomenal change in the perception of developing countries towards foreign capital and countries in the course of making their territory as a favored destination for multinationals to attain sustainable development (Cassidy and Callaghan (2006) &Erdal and Tatoglu (2002)). The dilemma whether foreign capital will act as boon or bane no longer exists. Developing countries, which are more desperate to

achieve higher growth rate, are following policy framework so as to provide enough competitive advantage for multinationals. The so-called competition to attract more and more foreign capital is termed as "Race to the bottom" policy (Okide, 2021; Godfrey, et al., 2024). It is all about providing a better business environment for multinationals. And hence the need for more focused policy to have a stable macroeconomic picture of a country is inevitable to make the country competitive to attract a significant amount of capital flow. Stable macroeconomic scenario reduces production and transaction cost of multinationals.

The world has become more integrated than before. Capital inflow to developing countries has shown a tremendous rise. Capital inflow is viewed as the as the solution to various problems that developing countries often encounter (Okide, 2023). Several problems of developing countries can be sorted out by the capital inflow. Foreign Direct Investment (FDI) is considered superior to portfolio investment as it brings technological know-how into developing countries.

## DIRECT INVESTMENT FOREIGN AND ECONOMIC GROWTH

The role of FDI on growth is quite significant. Calderón and Schmidt-Habbel (2003) in an empirical study find the role of FDI for long-term growth. Other studies like Borensztein et al. (1998) conclude that the role of FDI in the growth process of developing countries is greater than the domestic investment. Investors are also attracted towards countries where growth prospect is bright. The strong economic condition is inherent in describing the flow of capital. Favorable market expansion due to real GDP growth is a precondition of channelizing capital into the concerned markets. Investors always keep a vigil look at the growth performance of countries before placing their investment in those countries. Balasubramanyam et al. (1996) studied the relationship between FDI and economic growth. They found a positive correlation between these two but only under the certain condition. Balasubramanyam et al. (1996) found the linkage between FDI and growth is strongest in cases LDC which resort on export promotion instead of import substitution. Borensztein et al. (1998) find that FDI influences economic growth positively only after the country attains human capital threshold.

Sun (1998) analyzing the data of China confirms that opening up of the economies and market-oriented policy have resulted in many favorable changes in economic structure. Direct Foreign Investment (DFI) contributes to the growth scenario of the host country in many ways. Both backward and forward linkages effects are associated with the arrival of foreign fund. Direct Foreign investment improves the connectivity of host country with the international market and raises the export potential, which in turn results in economic growth (Udoh, 2013; Udoh, 2014). DFI creates an investment environment that facilitates and also encourages domestic investment. The study points out the role of foreign investment on growth along with its role towards encouraging domestic investment. DFI facilitates product efficiency and also improves the efficiency of resource allocation.

FDI-Growth nexus has both short run and long run element. In the short run, an outwardlooking approach to government and factors which suit investment attract FDI. Furthermore, technological advancements that come along Foreign Direct Investment have a permanent effect via infrastructural development and technological spillover in the destination country. There are many factors that attract foreign capital in the form of Foreign Direct Investment. It is a unique form of financial flow that not only supplement domestic fund but also enhances the productivity aspect of the host country (Udoh & Umotong, 2013). A bunch of studies supports the positive impact of FDI on growth while

a few other studies deny the connotation. Hence, the role of FDI towards economic growth is a debatable one.

**RELATIONSHIP BETWEEN FDI, TRADE AND ECONOMIC GROWTH**

Shan, Tian and Sun (1997) examined the FDI-led growth hypothesis in China using the quarterly time series data in a production function context during the period 1985 to 1996 based on a vector autoregression (VAR) model to test the causal link. The results of the study indicated that there was a two-way causality running between industrial growth and FDI supporting both FDI-led growth and growth-driven FDI hypothesis in China. It was also showed that a unidirectional causal ordering from IFDI to output growth was not valid for China. The empirical evidence of the causality running from economic growth to FDI points that rapid economic growth has accelerated the IFDI into China.

Choong, Yusop and Soo (2004) examined the patterns of relationship between FDI and economic growth and the role of domestic financial sector development in this relationship. For this purpose, they have used multivariate cointegration procedures and an error correction model (ECM) in the select developed (3) and East Asian countries (6) for the period from 1965 to 2000. Three types of hypotheses were developed in order to explain the behaviour between FDI and GDP, FDI-led GDP, and GDP-attracted FDI. The results of the study indicated that a direct cointegration between FDI and economic growth does not exist in any of the countries, but they were cointegrated through the dynamic interaction with domestic financial sector development. The study concluded that the achievement of a minimum level of development in the domestic financial system was necessary to create a positive technological diffusion with the presence of IFDI in both long-run and short-run.

Chowdhury and Mavrotas (2005) analysed the causal link between FDI and economic growth for the time series data of Chile, Malaysia and Thailand covering the period from 1969 to 2000. They found that it was GDP that causes FDI in Chile, and the direction of causality runs from FDI to economic growth was not confirmed, while in the case of both Malaysia and Thailand causality between GDP and FDI was bidirectional. Frimpong and Oteng-Abayie (2006) studied the causal relationship between FDI and GDP growth for Ghana, covering the period from 1970 to 2002. They have analysed the direction of causality between the variables during the preand post-structural adjustment programme (SAP) periods. The empirical results based on the Toda-Yamamoto Granger causality test suggest identical results for the two set of periods, namely the entire period of 1970-2002 and the preSAP period of 1970-1983. FDI-led growth or growth led FDI was not evident in the analysis, however, during the period of post-SAP FDI cause economic growth. The study, however, fails to confirm growth-driven FDI, i.e., GDP growth in Ghana has not been attracting IFDI. From the findings, the conservative view was that the direction of causality runs from FDI to economic growth was confirmed in the case of Ghana due to the SAP.

Oumarou and Maiga (2019) analysed the causal relationship between FDI, trade and economic growth in Niger using Johansen co-integration test and Granger causality test during the period 1980-2017. They have found a bidirectional causal relationship between trade and economic growth in the long-run. They have also found a unidirectional causal relationship running from trade to FDI. The study concluded that trade has a positive influence on economic growth, while FDI negatively influences the economic growth in Niger. Alam and Sumon (2020) examined the causal relationship between economic growth, FDI, domestic investment and trade openness in 15 Asian countries. They have applied Pedroni's cointegration and panel causality for empirical analysis for the period 1990-2017. The empirical findings showed that a bidirectional causal relationship runs between trade openness and economic growth, and between

trade openness and FDI in the long-run. They have also found unidirectional causal relationship running from domestic investments and FDI to economic growth.

## THE DETERMINANTS OF FDI INFLOWS AND OUTFLOWS

This subsection reviews the existing empirical literature on the factors determining the IFDI and OFDI. Examining the determinants of IFDI in India and China between 1979 and 2000, Banik (2003) found that the IFDI of China were resource seeking whereas, IFDI of India was market seeking nature. The study found that the lagged GNP has positive and significant impacts on the IFDI in both China and India, but its magnitude was higher in China compared to India. The market size was found to be a significant determinant of IFDI in India only. The domestic investment of China was positively correlated with IFDI, and in the case of India, it was not a determining factor. The exchange rate variation was a significant determining factor of IFDI in both India and China. Ayanwale (2007) studied the empirical relation between IFDI and economic growth and its impact in Nigeria and the determinants of IFDI for the period 1970-2002. The study found that market size, development of infrastructure and economic stability were the main determinants of IFDI into Nigeria. Trade openness and human capital were not significant, while GDP growth of Nigeria had a significant positive impact on IFDI.

Malik and Pentecost (2007) investigated the socio-economic and political determining factors of IFDI stocks in Pakistan during the period from 1973 to 2004 using the ARDL model. They found the real GDP as the dominant determinant of the IFDI stock of Pakistan in the long-run. The openness to trade was found to be an insignificant determinant of the IFDI to Pakistan. The political risk of the country was a significant determinant in the short-run while, in the long-run political risk was an insignificant effect on the IFDI. Cevis and Camurdan (2007) analysed the economic determinants of IFDI for 17 developing countries and transition economies for the period 1989-2006 and found that the interest rate, GDP growth rate, trade openness and IFDI in the previous periods were positively related to the IFDI of developing and transition countries, while, the inflation rate was found to be inversely related to the IFDI. Roy and Narayanan (2020) examined the push factors of OFDI of developed and developing countries for the period 1996–2013. Using the quantile panel regression model, they have found that GDP per capita, level of nominal GDP, IFDI stock, service sector GDP, manufacturing sector GDP, interest rate, R&D expenditure were significantly influenced the OFDI. It was also observed that political governance, institutional and regulatory quality of the home countries were the significant push factors of OFDI from developing countries. They have concluded that the influences of these determinants were different among the countries according to their level of OFDI.

## IMPACT OF IFDI, OFDI AND TRADE ON ECONOMIC GROWTH

Borensztein, De Gregorio and Lee (1998) analysed the impact of FDI on economic growth in a cross-country regression framework, using the data on FDI flows from industrial countries to 69 developing countries during the period 1970-1989. They examined the role of FDI in the process of technology diffusion and economic growth in developing countries using endogenous growth model (Udo & Udoh, 2023). The study found that FDI has a significant and positive impact on the economic growth of the developing countries and the magnitude of this impact was enhanced by the interaction of human capital with FDI. Advanced technology diffusion through FDI was also the main factor for the economic growth of the developing countries than domestic investment. The results also showed that FDI was complementary to domestic investment when the host country has a minimum threshold level of human capital. They

also found that the direct impact of FDI on economic growth was negative or insignificant when the countries have a low level of human capital (Edet, et al., 2024; Owa, et al., 2024). Their study showed a robust relationship between economic growth, FDI and human capital.

Balasubramanyam, Salisu and Sapsford (1999) have analysed the role of FDI in promoting the economic growth of 46 developing countries for the period of 1970-1985. They found that FDI has a positive impact on the economic growth of an export-oriented group of countries than domestic investment. FDI was negatively related to the economic growth of the countries which had followed import substitution policies. Both the size of the domestic market and the competitiveness of the economy, along with the interaction between FDI and human capital enhances the growth performances of the economies. Development of the infrastructure and the skilled and educated labour market helped the FDI contribute towards the economic growth of the developing countries. De Mello (1999) analysed the impact of FDI on capital accumulation and growth of output and total factor productivity (TFP) in the host country in both time series and panel data analysis for the Organisation for Economic Cooperation and Development (OECD) and non-OECD countries during the period 1970-1990. The study found that there was no time-series evidence of linear endogenous growth derived from FDI and/or capital accumulation in this period in OECD countries. There was a positive impact of FDI on output growth in all panels, with and without country-specific terms. The findings suggested a dominant complementary effect between FDI and domestic investment. In the panel data estimation, output growth was consistent with these for TFP growth, by which FDI appears to have a positive impact on technological change, in the OECD panel. In the non-OECD panel, however, seems to be a negative relationship between FDI and TFP growth. The study concluded that, although FDI was expected to boost long-run growth in the recipient economy via technological upgrading and knowledge spillovers, the extent of the growth enhancing effect of FDI depends on the degree of complementarity and substitution between FDI and domestic investment.

Haveman, Lei, and Netz (2001) have investigated the impact of trade flows and FDI on the economic growth of 74 Countries during the period 1970-1989. The study showed that countries with low initial income levels grow rapidly than countries with higher initial income levels. They found that increased international integration, trade openness, FDI, membership in trade blocs, preferential trade agreements, increased trade shares and increased exports to richer countries were led to faster economic growth. The human capital proxied by the average number of years of secondary and higher schooling influenced the growth positively but not significant. Zhang (2001) studied the role of FDI in the economic growth of China from 1984 to 1998. He stated that one of the main sources of growth was FDI which provided technical know-how in production along with highly skilled workers. The FDI and multinational firms caused to improve the quality of human capital of the host country, and it may lead to the economic growth of the host country. Therefore, FDI contributed to the economic growth of China through direct effect and positive externalities. FDI seems to improve the income growth and market-oriented transition of China in the provincial regions also.

Haseeb et al. (2014) investigated the relationship between exports, FDI and the economic growth in Malaysia with annual time series data from 1971 to 2013. The ARDL test showed that there was a strong correlation between Malaysia's growth performance, exports and FDI. Both exports and FDI showed a positive correlation with the growth of GDP. Thus, the study supported the export-led growth and the FDI-led growth hypothesis in Malaysia. In another study, Ismail et al. (2014) examined the short-run and long-run dynamic relationship between FDI and export towards Malaysia's economic growth during the period 1980 to 2011. Using the same approach, they confirmed the role

of exports and FDI in the economic growth of Malaysia. However, the study found that export played a vital role in increasing the Malaysian economy compared to FDI.

Belloumi (2014) examined the relationship between FDI, trade openness and economic growth in Tunisia by applying the ARDL bounds testing approach for the period 1970-2008. They found that trade openness and economic growth promote FDI in Tunisia in the long-run. The study could not observe any significant Granger causality from FDI and trade to economic growth or from economic growth to FDI and trade in the short-run. Even though there was a widespread belief that FDI can generate positive productivity externalities for the host country, the empirical results failed to confirm this. It concluded that domestic investment, trade and FDI were the main drivers of economic growth in Tunisia. In contrary, Rahman (2015) observed that FDI of Bangladesh has a negative impact on economic growth.

Hlavacek and Bal-Domanska (2016) analysed the impact of FDI on economic growth in the Central and Eastern European countries for the period 2000 to 2012. The empirical results based on endogenous growth model found that FDI, domestic investment and labour force have a significant positive impact on the economic growth of Central and Eastern European countries. At the same time, the human capital resource found negatively significant to economic growth. The result highlighted that the impact of FDI on economic growth was higher and apparent during 2009-2012. Ameer and Xu (2017) investigated the impact of IFDI and OFDI on economic growth in developing countries for the period 2005-2014. Using the panel OLS and GMM, they found that IFDI, OFDI, inflation and domestic investment have a significant and positive impact on the economic growth of developing countries in the long-run. In contrast, governance indicators have a significant and negative impact on economic growth.

Intisar et al. (2020) analysed the impact of human capital and trade openness on economic growth in 19 Western and Southern Asian countries during the period 1985-2017. They have found that human capital and trade openness has a positive and significant impact on the economic growth in Western and Southern Asia. Whereas labour force participation has a negative impact on the economic growth in Southern Asia, and its impact on economic growth in Western Asia was positive. The empirical result also indicated that IFDI has negatively impacted the economic growth in Western Asia while it has a positive impact in South Asia. Moreover, the total population has a significant negative impact on the economic growth in both regions.

## THE LEGAL AND INSTITUTIONAL FRAMEWORKS REGULATING FOREIGN INVESTMENT IN NIGERIA

There exists a plethora of legal and institutional frameworks regulating foreign investment in Nigeria and they are as follows: The Nigerian Investment Promotion Commission (NIPC) Act: This commission is established by the provisions of Section 5 which reads as follows: “The Commission shall be a body corporate with perpetual succession and a common seal, and shall have power to acquire, hold and dispose of property, and to sue and be sued in its corporate name.” Section 10 of this Act spells out the powers of the commission as regards foreign investment and it reads thus: “The Commission shall have power to provide incentives for foreign investors, including tax holidays, reduced tax rates, and exemptions from certain taxes, subject to such conditions as the Commission may determine” (Joshua, et al., 2013, p. 32). Further, these aforementioned provisions are commendable, however there abound certain criticism: Section 5 is criticized for being too broad, as it gives the Commission too much power without clear guidelines. Section 10 is too limited, as the incentives provided may not be sufficient to attract foreign investors.

The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act: Section 3 of this Act provides that: “No person shall, without the prior approval of the Central Bank, make any payment or transfer any funds outside Nigeria.” Thus, it sets the tone for money transfers outside the country. Also, Section 5 provides that: “Any person who contravenes the provisions of this Act shall be guilty of an offense and shall be liable on conviction to a fine or imprisonment or both” (Omeh, 2022, p. 34). However, Section 5 is criticized for being too difficult to enforce, as it relies on the Central Bank to monitor and prosecute offenders.

Companies and Allied Matters Act (CAMA): This Act provides in its Section 20 that: “A company shall not be incorporated unless it has a minimum share capital of N10,000, and shall not commence business unless it has a minimum paid-up share capital of N5,000.” While Section 50 provides thus: “Every company shall have a director who shall be a natural person, and shall have at least one shareholder who shall be a natural person or a body corporate” (Elendu, 2023, p. 23). It sets the stage for the incorporation of companies of which foreign investors must adhere to. However, Section 20 is criticized for being too complex, as it sets multiple requirements for company incorporation. Section 50 is criticized for being too weak, as it does not provide sufficient protection for shareholders.

The Immigration Act: This Act provides in Section 10 that: “No person shall employ a foreigner without a valid work permit, and shall ensure that the foreigner complies with the conditions of the permit” (Collinson, 2019, p. 23). While in Section 20 provides that: “Any person who contravenes the provisions of this Act shall be guilty of an offense and shall be liable on conviction to a fine or imprisonment or both.” Section 10 is criticized for being too restrictive, as it limits the ability of employers to hire foreigners. Section 20 is criticized for being too difficult to enforce, as it relies on immigration authorities to monitor and prosecute offenders.

National Office for Technology Acquisition and Promotion (NOTAP) Act: The Section 5 of this Act provides that: “(1) No person or organization shall acquire or transfer any technology without the prior written approval of the National Office.( 2) An application for approval under subsection (1) of this section shall be made in such form and manner as may be prescribed by the National Office” (Chukwuma & Obiefuna, 2023). While Section 10 reads thus: “(1) The National Office shall promote the development and acquisition of indigenous technology and shall, in particular, encourage and support: (a) Research and development in science and technology; (b) The adaptation and improvement of foreign technology; (c) The development of local technical expertise;(d) The promotion of technical innovation and entrepreneurship. (2) The National Office shall, in pursuance of subsection (1) of this section, provide such incentives as may be prescribed by the National Office.” However, Section 5 is criticized for being too bureaucratic, as it requires prior approval for technology transfer, which can hinder innovation and progress. Further, there exist regulatory Agency that regulate Foreign Investment and they are follows: The Nigerian Investment Promotion Commission (NIPC): This commission has the following functions: responsible for promoting and coordinating foreign investment, provides incentives and support for foreign investors, regulates foreign investment in accordance with the NIPC Act.

The Ministry of Industry, Trade and Investment: This Ministry has the following as a mandate: oversees the NIPC and formulates policies to attract foreign investment, responsible for trade and investment promotion, coordinates with other ministries and agencies to facilitate foreign investment. Also, Central Bank of Nigeria (CBN): The CBN has the following responsibilities: regulates foreign exchange transactions, ensures compliance with foreign investment regulations, and provides guidelines for foreign investment in the financial sector. The Securities and Exchange Commission (SEC): The

SEC has the following responsibilities: regulates foreign investment in the capital market, ensures compliance with securities laws and regulations, registers and regulates foreign investment in securities. In the same vein, the Federal Inland Revenue Service (FIRS): The FIRS has the following responsibilities: responsible for tax collection and compliance, ensures foreign investors comply with tax regulations and provide tax incentives for foreign investors. Nigerian Export Processing Zones Authority (NEPZA): The NEPZA has the following responsibilities: regulates foreign investment in export processing zones, provides incentives and support for foreign investors in EPZs, ensures compliance with NEPZA regulations. The National Office for Technology Acquisition and Promotion (NOTAP): The NOTAP has the following responsibilities: regulates foreign investment in technology transfer and acquisition, ensures compliance with NOTAP regulations and promotes local innovation and technology development (Chukwuma & Obiefuna, 2023).

The Federal Ministry of Justice: The Federal Ministry of Justice has the following responsibilities in respect to foreign investment: provides legal support for foreign investment regulation, ensures compliance with international investment agreements and coordinates with other ministries and agencies on legal matters. Lastly, State Governments: State Governments are not left out in this all-encompassing project and the play they following roles: They play a role in regulating foreign investment, particularly in areas such as land acquisition and environmental regulation and provide support and incentives for foreign investors at the state level. There is no gainsaying that institutional framework aims to facilitate foreign investment, ensure compliance with regulations, and promote economic development in Nigeria. However, critics argue that the framework can be complex and bureaucratic, hindering the flow of foreign investment.

## AN OVERVIEW OF THE PROSPECTS AND CHALLENGES OF FOREIGN INVESTMENT IN NIGERIA

Nigeria has prospects like a large market size, natural resources, strategic location, and economic growth. Notwithstanding the existing prospects, there exist certain challenges seriously mitigating foreign investment in Nigeria and they as follows: Corruption: The corruption culture remains a serious clog in the wheel of foreign investment in Nigeria as bottlenecks are created in many parastatals just for selfish reasons. Infrastructure deficits: Over the years of infrastructural neglect, this has become a serious concern for foreign investors. Security concerns: In very recent times, terrorism and it's off shoots like kidnapping has become a global crisis of which Nigeria is not immune from, this has greatly affected the willingness of foreigners especially the westerners coming in to the country to invest (Dang & Pheng, 2015). Regulatory hurdles: As has already been highlighted, the provisions in some relevant Acts are limiting foreign investments. Currency fluctuations: Currency fluctuations is a scare for foreign investors as it leads to instability in the investment market.

Brain drain: The constant brain drain referred to as *Jakpa* in Nigeria weakens the work force of the Nigerian economy and is even foreign investment into other economics and lastly dependence on oil exports: The excessive dependence on oil in Nigeria has become the major decline in small and medium scale businesses as everyone wants to function in the oil sector hence killing innovation (Uduma, 2024). At this point is imperative to discuss case studies of foreign investment success stories in Nigeria:

**Case study 1:** Unilever Nigeria, Unilever invested in a manufacturing plant in Nigeria in 1923, producing soap and other personal care products. This investment has created jobs, transferred technology and skills, increased competition and innovation,

contributed to Nigeria's economic growth and development immensely. Unilever Nigeria has grown to become one of the largest consumer goods companies in the country, employing thousands of Nigerians directly and indirectly, contributing significantly to Nigeria's GDP and tax (Mambula, 2014).

**Case study 2**: Shell Nigeria invested in oil exploration and production in Nigeria in 1937, discovering oil in 1956. Shell has generated significant revenue for Nigeria through oil exports, created jobs and stimulated employment in the oil and gas sector, transferred technology and skills to local employees, contributed to Nigeria's economic growth and development (Osundina, 2016). Shell Nigeria has grown to become one of the largest oil producers in the country, contributing significantly to Nigeria's GDP and tax revenues. These are just a few of the foreign investment success stories in Nigeria despite the challenges, this reinstates the fact that successful foreign investment is possible in Nigeria.

Remarkably, President Tinubu dimmed it fit to establish a foreign investment policy in Nigeria. It is centered around creating a favorable business environment, promoting economic diversification, and encouraging foreign direct investment (FDI) [1]. Key aspects of his policy include: economic reforms, that is implementing significant economic reforms to create a favorable business environment, infrastructure development, foreign trips, that is embarking on foreign trips to engage with international investors and promote Nigeria's investment opportunities, removal of fuel subsidies, dismantling monopolistic control, that is dismantling monopolistic control over electricity, allowing states, corporations, and individuals to generate, distribute, and transmit power and lastly the establishment of the Renewed Hope Infrastructure Development Fund. It is noteworthy to mention that these efforts have led to a substantial increase in foreign direct investment (FDI) commitments, exceeding $30 billion, with over $20 billion already invested in various sectors (Popoola & Magidimisha, 2020).

## CONCLUSION/RECOMMENDATIONS

In conclusion, foreign investment plays a crucial role in Nigeria's economic development. While it brings numerous benefits, it also poses challenges. Addressing these challenges and leveraging on the benefits of foreign investment can unlock Nigeria's economic potential and achieve sustainable economic growth and development. Ultimately, foreign investment has the potential to transform Nigeria's economy, but it requires a conducive business environment, supportive policies, and collaborative efforts from both the public and private sectors. Lastly, to attract and retain foreign investment, Nigeria needs to: improve infrastructure and facilities, enhance security and political stability, streamline regulatory processes and reduce bureaucracy, promote transparency and accountability, develop human capital and address skills gap, encourage public-private partnerships and collaborations. By addressing these challenges and leveraging the benefits of foreign investment, Nigeria can unlock its economic potential and achieve sustainable economic growth and development.

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