

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN NIGERIA: AN EMPIRICAL ANALYSIS

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ABSTRACT

Economic theories have shown that Foreign Direct Investment (FDI) being one of the key macro-economic variables has a positive relationship with economic growth. Therefore, this study specifically test the hypothesis on whether or not FDI has positive and significant impact on output growth in the Nigeria economy using a model based on a modified neoclassical production function where FDI is taken as an input in the production process. The study employed unit root test and Granger-Causality test using E-Views in the determination of the impact of FDI on economic growth in Nigerian. The results of the estimation analysis obtained revealed that there exists a positive relationship between FDI and output growth in the Nigerian economy. The study recommends that the policies that will increase FDI should be encouraged.

Keywords: Foreign Direct Investment, Economic growth, and Neoclassical Production Function.