

**FISCAL DEFICIT, ECONOMIC DEVELOPMENT AND FOREIGN  
DIRECT INVESTMENT IN NIGERIA**

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**JULY, 2023**

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DIRECT INVESTMENT IN NIGERIA**

**BY**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE  
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COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES, COVENANT  
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**JULY, 2023**

## **ACCEPTANCE**

This is to attest that this dissertation is accepted in partial fulfillment of the requirements for the award of the degree of Master of Science in Economics in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Nigeria.

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## **DECLARATION**

**I, OMEIRE MERCY CHIDERA (21PAF02296)** declare that this research was carried out by me under the supervision of Dr. Okorie Uchechukwu of the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

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## **CERTIFICATION**

We certify that this dissertation titled “**FISCAL DEFICIT, ECONOMIC DEVELOPMENT AND FOREIGN DIRECT INVESTMENT IN NIGERIA**” is an original research work carried out by **OMEIRE, MERCY CHIDERA (21PAF02296)** in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Ogun State, under the supervision of Dr. Okorie Uchechukwu. We have examined and found this work acceptable as part of the requirements for the award of Master of Science in Economics.

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## **DEDICATION**

This dissertation is dedicated the Lord God Almighty. It is also dedicated to my Parents and siblings who supported and prayed for me.

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## **LIST OF ABBREVIATIONS**

**FDI:** Foreign Direct Investment

**GDP:** Gross Domestic Product

**IMF:** International Monetary Funds

**MNC:** Multinational Corporation

**OECD:** Organization of Economic Co-operation and Development

**OLI:** Ownership, Location and Internalization

**UNCTAD:** United Nations Conference on Trade and Development

**WDI:** World Development Indicator

**WHO:** World Trade Organization

## ABSTRACT

This study aimed at analyzing the effect of fiscal deficit on FDI as well as the interaction of fiscal deficit and economic development on FDI. The variables explored in this study are FDI as dependent variable, Fiscal deficit and HDI being a proxy for economic development. The analysis relied on annual time series data from the Central Bank of Nigeria (CBN) and World Development Indicators (WDI) for the period 1990 to 2021. Employing the Autoregressive Distributed Lag (ARDL) framework. The findings of the study were that Fiscal deficit had a positive and statistically insignificant effect on FDI inflow to Nigeria but not in the long run. Further, HDI one period lagged and three period lagged were significant for FDI in the short run while HDI had a negative and statistically significant effect on FDI inflow in the Long run. Fiscal expenditure was negative and significant in both the short run and long run in bringing about a decline in FDI inflow to Nigeria. This present study concludes that fiscal deficit affects FDI negatively in Nigeria while HDI also adversely affects FDI inflow to Nigeria. However, Fiscal deficit interaction with economic development has no significant effect on FDI inflow to Nigeria. As a result, government must ensure better management of spending as well as judicious spending of revenues on economic development initiatives in order to ensure a well-managed fiscal deficit that can engender increased rates of FDI inflow to Nigeria and will disincentives FDI outflows from Nigeria.

*Keywords: Foreign Direct Investment inflow, fiscal deficit, economic development Nigeria*