Non-oil Export, Foreign Direct Investment and Infrastructural Development in Nigeria

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Abstract— **The study investigates the influence of foreign direct investment (FDI) and infrastructural development on non-oil exports in Nigeria (1981-2014). FDI connotes investment made in the acquisition of long-term management interest in an enterprise and operating in a country other than that of the investors. It augments domestic investment (DI), which is crucial to the attainment of economic growth and development. There are divergent views on the nature of effects of FDI in the body of literature. Thus, this study sheds recent light on the issue using the Nigerian case.**

Index Terms— FDI, Non-oil Export, Infrastructure

I. INTRODUCTION

The Nigerian economy has for decades leaned on the *fragile le*g of crude oil. Consequently, it has had a growth trajectory driven by the vicissitudes of oil prices. An emerging trend suggests that in the last 7 years the economy was growing that does not satisfactory translate to job creation and poverty reduction. Expectedly, attention of scholars and policy makers had shifted towards non-oil export as a response option. Thus, this study investigates the effects of the foreign direct investment (FDI) and infrastructural development on non-oil exports in Nigeria (1981-2014). FDI is investment that is made to acquire a long-term management interest in an enterprise and operating in a country other than that of the investors. FDI is perceived to have an influence on economic growth of a country through various direct and indirect channels. It augments domestic investment, which is crucial to the attainment of economic growth and development. In the literature, however, there are divergent views on the nature of effects of FDI. Some argued that it has been the most potent source of foreign finance in any growing economy. Those that are of the view that FDI produce positive effects on host economies believe that some of the benefits are in the form of externalities and the adoption of foreign technology, knowledge transfers and the introduction of new processes by the foreign firms especially when it flows to a high risk area of new firms where domestic resource is limited.

II. THE EMPIRICIAL MODEL

The paper specifies the baseline empirical model that captures the relationship among FDI, indicators of infrastructure and economic growth. It hinges on the theoretical underpinning of the endogenous growth model, which has capital and labour as basic explanatory variables that could explain economic growth in a country. The theory emphasizes the role of exports on long-run growth through a higher rate of technological innovation and dynamic learning [1] [2]. This study extends extends the theorectical framework with the incorporation of other variables such as electricity consumption, among others [3]. Generally, non-oil export framework can influence the level of economic growth as it has been said that the quality of a country's infrastructure development can determine the extent of economic activities [4] [5]. In effect, non-oil export (*Nox*) is related explanatory variables, namely: foreign direct investment, (*Fdi*), Non-oil export GDP growth rate, (*NoGdpgr*), infrastructural development, (*Infr*), and exchange rate (*Exr*).

III. SOME HIGHLIGHTS

The study examines the applicability of the export-led growth (ELG) hypothesis using empirical evidence from Nigeria. The bulk of FDI inflow in Nigeria goes to the oil sector. There is the general belief that this motive is predominant in sectors where products are produced mainly for regional and global markets and competition is mostly based on price and not on quality differentiation. In Nigeria, the role of FDI in the non-oil export (reflection of the real sector), therefore, is the major focus of this study. A causality analysis of the relevant variables will be undertaken in order to verify the relevance of the ELG hypothesis in the growth of the non-oil export of the real sector in Nigerian economy. It is thus expected that this study, brings to the fore the extent of FDI inflow and its effect on the non-oil export. It articulates how infrastructural development can influence the nexus between FDI and non-oil export. This is essential as analysts have presented a wake-up call for the strengthening of the institutional framework of African countries to pursue improved infrastructural development. For instance, in the ECOWAS sub-region, the regional community is beginning to emphasise the need for regional actions that will propel member states to put in place policies to enhance infrastructural development. In Nigeria, some of these actions include the Supplementary Act of 2007 that focused on the harmonisation of policies and regulatory framework for the development of soft infrastructure in the sub-region.

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IV. Conclusion

The paper concludes, among other things, that there should be policies and programmes that will promote or improve FDI, infrastructural development and macroeconomic variables in the productivity of the manufacturing sector, especially the non-oil products in Nigeria.

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