

## **IMPACT OF FOREIGN DIRECT INVESTMENT ON UNEMPLOYMENT LEVEL IN AFRICA, EVIDENCE FROM NIGERIA. ARDL BASELINE APPROACH**

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### **Abstract**

Over the years, several economic, political and social policies have been initiated in Nigeria aimed at attracting foreign direct investment. In 1977 for instance, the indigenization policy which was established to prevent foreign domination of public and private enterprise was embarked on but was later abolished in 1989 to pave way for the flow of foreign capital into the economy. In addition to the creation of the department of international economic relations in all Nigeria embassies abroad to sensitize investors on prevailing favorable business environment in Nigeria coupled with positive government policies aimed at boosting investment, the flow of foreign capital into the economy through Foreign Direct investment seem to be the answer to employment problems in Nigeria. The broad objective of this study is to measure the impact of foreign direct investment to unemployment position in Nigeria. 1981 – 2017 using auto regressive distributed lag model, base line approach. It was discovered that Foreign Direct investment responds negatively and non significantly to unemployment position in Nigeria meaning that Foreign Direct investment respond positively to employment generation in Nigeria, Gross Domestic Product and also reduces inflation position in Nigeria. Based on findings, the study concludes that Foreign Direct investment influences the Macroeconomic aggregates in Nigeria such as employment generation and as such, should be encouraged and expanded to accommodate more players in the country so as to solve unemployment problems in the country.

**Keywords:** Foreign Direct investment, unemployment position, Baseline ARDL.GDP

### **I. Introduction**

Adeleke, Olowe, & Fashesin (2014) states that the slow spate of development in the third world is usually traceable to inadequate resources to speed up economic growth and development. Saving in this part of the world is usually less than the investment needs. Most economies have resorted to foreign borrowings while others geared efforts toward attracting foreign contributions to stimulate development. Hence, the importance of foreign investment either by private or public agencies in promoting growth and development in developing countries cannot be overemphasized. Akinwunmi, & Adekoya, (2016) identified that

Nigeria's dependence on oil as the only source of revenue coupled with her persistent negative trade balance due to the import dependent nature of the economy has contributed significantly to the volatile nature of the economy. The Nigeria economy benefited from the oil boom of the seventies in terms of cash flow to the economy but there seems to be little in terms of investment and infrastructural development to support the growth of the economy. Hence, the mono-cultural nature of the Nigeria economy, low per capita income, trade imbalances, persistent fiscal deficits, low productivity, unemployment and the attendant low savings level demands and low substantial level of foreign investment either in the form of foreign direct investment or foreign portfolio investment is needed to grow the capital market, economy and create employment. Matthew & Ogunlusi, (2017), states that the essence of foreign investment into an economy has generated interest among development experts on its desirability or otherwise. While some stress that though economic activities of a nation is a stimulator of growth and development, they believe that opening an economy to sudden inflow and outflow can destabilize sound economies and compel them to adopt fiscal policy measures capable of creating problems in the operations of their security market. Yet, others believe that foreign investment inflows has helped emerging economies to benefit from research and development from advanced economies which had assisted their industrialization efforts as well as boosting their stock market activities, just as the gains from the development in the stock market has also encouraged the inflow of foreign investment. These issues are important for the efficient management of policy; Alobari, Paago, Igbara, & Emmah, (2016) observed that embedded in any form of foreign investment is the potential gains through R&D and potential dangers which developing nations most often lack the capacity to manage. Foreign investment can come either as foreign direct investment or foreign portfolio investment. Aremu, (2005) expressed that Foreign direct investment relates to investment which allows the investor to enjoy a perpetual interest in an enterprise of a country other than his own country which takes the form of building a factory, purchase of equipments or establishment of plants or through the capital market fund mobilization from the surplus unit to the deficit unit etc. It is also seen to include all forms of capital contributions and the reinvestment of earnings by a company incorporated abroad. Mounkaila, (2017) states that foreign direct investment increases investors commitment in the management of the enterprise as selling of such investment interest is usually difficult. Foreign portfolio investment involves passive interest by an investor on securities such as foreign stocks, bonds or other financial assets, none of which entails active management or control of the securities issued by the investor. Unlike foreign direct investment, it is easier to sell securities and pull out foreign portfolio investment, making it more volatile to the economy than foreign direct investment. Odo, Anoke, Nwachukwu, & Agbi, (2016) opined that Foreign direct investment is believed to have positive relationship with stock market growth through several channels as most of the investment funds coming into the country is usually channeled through the financial market. Okore, & John, (2013) admitted that Over the years, several economic, political and social policies have been initiated in Nigeria aimed at attracting foreign direct investment. In 1977 for instance, the indigenization policy was established but later abolished in 1989 to pave way for the flow of foreign capital into the economy in addition to the creation of the department of international economic relations in all Nigeria embassies abroad to sensitize investors on prevailing business environment in Nigeria coupled with positive government policies aimed at boosting investment. Uwazie, Igwemma & Nnabu (2015) expressed that Stock market has been recognized as a body that contributes to the socio-economic growth and development of developing and developed economies. This is made possible through some of the vital function played, such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation, ability to connect deficit to the surplus sector of the economy as actual means

in the mobilization and distribution of savings among competitive uses which are critical to the growth and efficiency of the economy. It helps to direct capital or long-term resources to firms with relatively high and increasing productivity thus enhancing economic development and growth. Oditia & Oghoghomeh (2013) argues that a nation requires a lot of local and foreign investments to attain sustainable economic growth and development. The capital market provides a means through which this is made possible. However, the dearth of long-term capital has posed the greatest dilemma to economic development in most African countries including Nigeria. Capital market is seen as the driver of any economy to growth and development because it is essential for the long term growth capital formation, (Emeh & Chigbu, 2014). It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It does not only provide the funds required for investment but also efficiently allocates these funds to projects of best returns to fund owners. According to the World Bank ease of doing business index (2016) Nigeria is perceived as a hard place to do business graded 169 out of 189 countries in 2016 overall ease of doing business; 139 out of 169 in ease of starting new business, 182 out of 189 in accessing electricity, 59 out of 189 in getting credit, 143 out of 189 in implementing contract agreements. Based on these realities, affecting growth in investment in the country, the need to review all policies of government restraining the flow of foreign capital into the country becomes crucial. However, it is important to note that there are recent positive government policies in Nigeria aimed at encouraging foreign capital flow into the economy, Okafor, Ezeaku, & Izuchukwu, (2015) expressed that like the abolition of import licensing system, review of import duties and tariffs, privatization of most state owned enterprises and the deregulation of the exchange rate regime. According to Umah, (2007) Nigeria ranks high in Africa along with South Africa and Egypt as major recipients of foreign direct investment. However, the influence of this receipt on both the growth of Nigeria economy and other economic indicators has remained a subject of controversy. One of these reforms was the promotion of financial market development combined with financial policies aimed at stimulating increased inflow of capital into the Nigerian economy. Eje (2015) stated that at the early stage of this policy reform (particularly in the later 1980s and early 1990s) emphasis was placed on financial intermediaries, relaxation of bank regulation, interest rate deregulation and the lifting of bank licenses

Large numbers of countries have witnessed acceleration in their economic growth. After analyzing the reasons for this, it was discovered that foreign direct investment plays a vital role in the economic development of both developing as well as developed nations. Various countries are also integrated in the present global competitive environment through foreign direct investment. In addition to the economic development through the capital market and generating employment in a country, foreign direct investment also helps in providing most modernized technology available in the market. A favorable condition was made by the government of Nigeria in 1986 when it opens the doors for the inflow of the foreign capital in the country through foreign direct investment. This input was badly needed in the country during the structural adjustment programme in Nigeria as it turns out to be one of the most attractive destinations of capital investment. These capital investment derived through foreign direct investment seem to influence the unemployment position in the country which this research want to investigates.

From the study above, one can understand that inadequate capital has been a problem to most developing countries and the fact that these investments bring about benefits to these countries makes foreign direct investment as the best sources of financing employment. Foreign direct investment should be encouraged so as to improve the growth the of the capital market and also to economic growth and development of Nigeria. When the capital markets

are not adequately functioning and well financed, Economic growth will be hindered, hence, studies of the impact of Foreign direct investment to output level in the world has been overflogged in literature but this study sought to deviates from studying Foreign direct investment to output level to examine the impact of foreign direct investment to unemployment position in Nigeria.

The broad objective of this study is to measure the Impact of foreign direct investment to unemployment position in Nigeria. 1981 – 2017.

## **II REVIEW OF RELATED LITERATURE**

### **Conceptual Review: Concept of Foreign direct investment**

Foreign direct investment is an investment in the form of a controlling ownership in a business enterprise in one country by an entity based in another country (Zakari,2017). Foreign direct investment has been growing globally as double as the trade investment volume across the world (Meyer, 2003). The rapid growths of foreign direct investment inflows to the developing and developed countries demands an analysis of the impact or effect on capital market output as the increase of foreign direct investment inflows makes huge impact or effect on local economic growth and their productivity due to their extra facilities by getting better technologies, manpower, human skills, conceptual skills and managerial skills (Zafar,2013). Foreign direct investments generally considered to be an instrument of cash and non-cash inflow into the host countries from overseas. It plays a vital role to make substantial contribution in the economic growth of the developing countries through providing. The main role of foreign direct investment in the economic growth is that it creates more benefits for the host countries rather than just full filling the short-term capital deficiency problem, (Borensztein. 2008).

### **Theoretical Framework**

Fundamentally, the theories of stock market and portfolio investment formed the basis in explaining the emergence of foreign direct investment, considering that earlier direct investment was seen as international capital transfer alone. Foreign direct investment was initially considered as part of portfolio investment and differences in rates of interest assumed as the main cause of capital inflows. It was believed that by influence of interest rate, capital moves to any economy with expected higher return. However, Hymer (1976) argued that this view failed to explain the place of control in organizational management. Different theorists have given diverse explanations on reasons of foreign direct investment ranging from market imperfections, oligopolistic and monopolistic considerations, absolute/comparative trade advantage and religious/political reasons. This study will consider FDI theory based on its contribution to economic growth. Hence the following theories were identified:

### **ECONOMIC GROWTH THEORY**

This is a theory propounded by Harrod and Domar In 1948. It is a theory that assigned a key role to investment in the process of economic growth and employment level. But they lay emphasis on the dual character of investment. Firstly, it creates incomes, and secondly, it augments the productive capacity of the economy by increasing its capital stock. The former may be regarded as the ‘demand effect’ and the latter the ‘supply effect’ of investment. Hence, so long as net investment is taking place, real income and output will continue to expand. However, for maintaining a full employment equilibrium level of income from year to year, it is necessary that both real income and output should expand at the same rate at which the productive capacity of the capital stock is expanding. Otherwise, any divergence between the two will lead to excess or idle capacity, thus forcing entrepreneurs to curtail their



investment expenditures. Ultimately, it will adversely affect the economy by lowering their incomes and employment in subsequent periods and moving the economy off the equilibrium path of steady growth. Thus, if full employment is to be maintained in the long run, net investment should expand continuously. This further requires continuous growth in real income at a rate sufficient enough to ensure full capacity use of a growing stock of capital. This required rate of income growth may be called the warranted rate of growth or 'the full capacity growth rate'

### **Empirical Review**

Hiroyuki and Yining (2017) examined on the effect of inward foreign direct investment on economic growth in Chinese provinces by conducting the Granger causality and impulse response tests in a vector auto-regression (VAR) estimation. This study revealed as follows. First, the positive effect of FDI on economic growth in Chinese provinces was confirmed by all the model estimations: statistical, demand-side and supply-side models. Second, from the regional perspectives, the positive effect of FDI on economic growth was found in the eastern region, but not in the non-eastern region. Third, no crowding out effect of FDI on domestic capital formation was identified both in demand-side and supply side analyses.

Matthew and Ogunlusi (2017) examined the relationship between foreign direct investment and employment generation in Nigeria between 1981 and 2014. The study employed Johansen co-integration to detect the long run relationship among exchange rate, foreign direct investment, employment rate, trade openness, interest rate and total factor productivity. The result revealed that foreign direct investment had a positive and significant relationship with employment generation in Nigeria.

Also, Silvia and Nguyen (2017), analyze foreign direct investment inflows, price and exchange rate volatility from 1990 to 2012 in Latin America with the use of GARCH method and a statistically significant negative effect of exchange rate on foreign direct investment was found.

In GMM application; Olusuyi, Samuel, Oluyomi and Akinbola (2016), evaluate the integrative effects of exchange rate volatility and foreign capital inflows on the growth of the Nigerian economy. The result indicates significant positive effect of foreign direct investment, foreign debt interaction of foreign direct investment with foreign debt and interaction of exchange rate volatility with foreign debt on economic growth.

Akinwunmi and Adekoya (2016) also evaluated on the effect of external reserves management on foreign direct investment, and negative and none significant on economic growth in Nigeria covering 1985 to 2013 in using OLS. The result from the study shows; an external reserve has a positive significant relationship with foreign direct investment, gross domestic product and monetary policy rate but has negative relationship with inflation and exchange rate.

Alobari, Paago, Igbara and Emmah (2016) analyzed exchange rate and foreign direct investment and their implication on the growth of the Nigeria economy between 2007 and 2016 by correlation analysis and the result found a positive significant relationship between foreign direct investment, exchange rate and economic growth.

OdiliOkwuchukwu (2015) evaluated the exchange rate volatility, stock market performance and foreign direct investment in Nigeria from 1980 to 2013 using OLS. The result shows, exchange rate volatility has negative and significant effect on the inflows of foreign direct investment both in short and long run.

Okafor,Ezeaku, &Izuchukwu,(2015) investigated the effects of foreign investment inflows on economic growth in Nigeria. The study disaggregated foreign investment into foreign direct investment and portfolio investment in other to realize the objectives of the study using data spanning from 1987 to 2012 with OLS and granger causality econometric procedures. The

findings of the study indicate that FDI and FPI have significant positive impact on economic growth in Nigeria. The study recommended that government should pursue policies that encourage foreign investment.

Uwazie ,Igwemma, &Nnabu,(2015.) examined the causal relationship between foreign direct investment and economic growth in Nigeria from 1970 to 2013. The study employed vector error correction model method of causality to estimate the variables specified in the model. The result of the estimation indicate an equilibrium long run relationship between FDI and economic growth while the causality test indicate that both FDI and economic growth correlate significantly in the short and long run periods in Nigeria economy.

Adeleke, Olowe, &Fasesin(2014) studied impact of Foreign Direct Investment to the Nigerian Economy using Ordinary Least Square method of data analysis. The result therefore revealed that Foreign Direct Investment has a positive impact on GDP and those variables but FDI has not contributed much to the growth and development of the Nigerian economy.

Duong, (2015) examined on the interrelationship among foreign direct investment domestic investment and export in Vietnam for the period 1985–2015. Johansen cointegration approach was applied to examine the long run relationship and the Granger causality test was thus performed in the context of the vector error correction model. The empirical findings reveal that domestic investment growth and export growth directionally caused FDI inflows growth while the direction from FDI inflows towards investment growth and export growth was not identified in this study. Additionally, the significant unidirectional causal relationship was found between foreign direct investment growth and exchange rate movement. This study also explores that domestic investment bidirectional cause's export growth. Furthermore, the strong bidirectional linkage was found between exchange rates and domestic investment. However, this study could not provide any further evidence concerning causal relationships running from exchange rate depreciation to export growth and foreign direct investment growth in the case of Vietnam.

Osigwe, and Uzonwanne (2015) causal relationship among foreign reserves, exchange rate and foreign direct investment, evidence from Nigeria. This study was scrutinized the Granger causality of foreign reserves, exchange rate (EXR) and foreign direct investment (FDI) in Nigeria. The Johansen co-integration test revealed long-run relationship among the variables. The results of the Granger causality test indicated unidirectional causality from EXR to foreign reserves. Consistently from lag one to lag two; unidirectional causality existed from FDI to foreign reserves. At lag three, bidirectional causality was discovered between foreign reserves and FDI. Evidence of unidirectional causality running from EXR to FDI in lags one and three, was revealed. No causality existed between the duos at lag two. Based on the findings it is recommended that the policy makers establish the optimum EXR level that positively promotes foreign reserves and FDI.

Okoro, and Atan (2014) investigated on the impact of foreign direct investment on economic growth. in Nigeria. Although ordinary least square technique (OLS) was the general bread-and-butter tool in econometrics, it can at times play the hard game of garbage in, garbage out. There is, thus, a need for pre-processing of economic data variables before feeding them into the OLS computer software analysis. OLS is such a sensitive tool that even a single data point can significantly influence the entire results. The relationship between economic variables was complex. Rigorous OLS method was required to disentangle the individual effects of these parameters. The present investigation showed that Hausmanedogeneity test, granger causality test, two stage methods of least squares (2SLS) and the method of lagged variables are different stages of OLS analysis that could be integrated in order to understand the complex interplay between foreign direct investment and economic growth.

In another study, Ugwuegbe, Okorie and John (2013) investigated the impact of Foreign direct investment the Nigerian economy between 1981 and 2009 using OLS method in

measuring foreign direct investment and economic growth. The result indicated a positive but insignificant impact of foreign direct investment on economic growth

Yaqub, Adam and Jimoh (2013) investigated foreign direct investment and economic growth in Nigeria from 1980 to 2006 using VAR approach. The result reveals that there is no causal relationship between foreign direct investment and economic growth in Nigeria. Moreover the study failed to identify foreign direct investment as a determinant of economic growth in Nigeria. It finally concludes that GDP growth rate is determined by its own shocks.

Bhatt, (2013) investigated causal relationship between foreign trade and investment dimensions of Vietnam in comparison with its competitors such as Indonesia, Malaysia, Philippines, Singapore and Thailand as also to study the role of FDI to the growth of exports in Vietnam. Vector auto regression model (VAR) was adopted to estimate the long run causal relationship among exports, foreign direct investment and GDP. The cointegration test result showed that there exist a long run equilibrium relationship among exports, FDI and GDP. It is found from the estimated Error Correction Model that FDI was a significant variable and the result indicates that 1% increase in FDI will lead to 0.25% increase in exports with one year time gap. Granger Causality Test indicates that there was a unilateral relationship between exports and FDI .

Adegbemi (2012) studied foreign direct investment as it relate to GDP growth in Nigeria for the period 1970-2010 with the help of a three-stage least square (3SLS). The result opines that foreign direct investment leads to growth but varies across sectors.

Egwaikhide (2012) applied co-integration VECM approach to examine the effect of foreign direct investment and growth of GDP in Nigeria from 1980-2009. The co-integration test reveals foreign direct investment agriculture; mining, manufacturing and petroleum sectors impact little on growth while foreign direct investment to telecom sector impact heavily in the long run. Also, the study affirms that foreign direct investment and infrastructures reinforce each other.

Yasir, Shehzad, Ahmed, Sehrish, and Saleem. (2012) empirically investigated the relationship among the broad macro economic variables such and foreign direct investment in Pakistan from 1980-2010. For the investigation of long-run relationship, Johnson co-integration test was applied and the results showed that long run relationship exist among the variables. They then proceeded to VEC method to examine the short-run association of the variables. The obtained results suggested that nominal EXR have a significant positive impact on FOREX while foreign direct investment has insignificant impact on FOREX.

Osuji and Ebiringa (2012) focused on the long run relationship between some selected macroeconomic variables and FDI in Nigeria. The result of their vector auto regression (VAR) model indicated that FDI is significant in the current year but tends to converge in the previous years. On the other hand, the value of the joint significance indicates that the current values of gross domestic product (GDP), capital goods (CPG), non-CPG and EXCR are most influencing factors that determine the current values of EXTR.

Nabila, Samia, and Hafeez (2011) examine the impact of foreign direct investment on economic output of selected Asian countries using panel regression techniques on annul data for the periods of 1983-2008 .The panel test shows evidence that foreign direct investment and economic growth are co-integrated. FMOLS posited that foreign direct investment has positive significant impact on economic growth. The panel homogeneous causality shows that foreign direct investment and output granger cause each other but non-causality test affirms evidence of unidirectional causal relationship run from foreign direct investment to output of the selected economies. In the case of Malaysia, the test exhibits that foreign direct investment and growth have two-way causation. The results show that foreign direct investment granger cause economic growth of Thailand, Singapore, Nepal, and Japan while

in Sri-Lanka, Pakistan and Bangladesh economic growth granger cause foreign direct investment.

### Knowledge gap

Looking at a large volume of literature above, one can understand that most of the literature differs by location (country/geography), time/years of coverage and methodology. Certainly, different views of the world have been compared and empirical evidences can equally be seen to have some bearings on such comparison. Unfortunately, the resulting literature above is yet to develop acceptable and conclusive evidence on how to handle foreign direct investment issues in among developed, developing and underdeveloped countries. Worrisomely, the current investigations and techniques on foreign direct investment impact on capital market development are still a subject of debate due to disputes arising in long run contribution of foreign direct investment to capital market performance and as well, economic growth of some nations. Hence, existing studies both in American continent, Asian, Europe, Africa and Nigeria in particular centered their research mostly on capital market and economic growth nexus. More adequately captured are some capital market indices such as total market capitalization, all share indexes, stock market values.

Hence, this work attempt to deviate from the previous study on capital market and economic growth nexus in Nigeria by studying the Impact of foreign direct investment to capital market performance in Nigeria. Thus; resulting in a gap. This gap is reflected in currency of the research in Nigeria (1981-2016), methodology in Nigeria, Autoregressive Distributed lag (ARDL) and finally in Literature, most of the work on foreign direct investment and capital market performance was done outside the sub Sahara Africa and Nigeria. Even the one done in Nigeria was done using Correlation, VAR, VECM, Cointegration and error correction or OLS regression. None of the study done in Nigeria used ARDL. Therefore the adoption of ARDL in analysis for this study forms the major highlight in the knowledge gap.

### III. METHODOLOGY

**Research design:** This study adopted the exposit-facto research design. They are drawn from sources such as The Statistical Bulletins of Central Bank of Nigeria and the World Bank development indicator. They are annualized time series data because they have a natural time ordering covering the period 1985 to 2017..

**Model Specification:** Autoregressive Distributed lag (ARDL) model was employed for evaluating the implications of the impact of foreign direct investment on unemployment level in Nigeria. The model for this work is specified following the special Classical multiple Regression Model.  $FDI_t = \beta_0 + \beta_1 UNEMPR_t + \beta_2 GDP_t + \beta_3 INFR_t + \dots + E_t$ .

Where the variables are represented, thus: FDI= foreign direct investment, UNEMPR= unemployment INFR=Inflation rate, GDP=Economic growth T=Time series. To ensure linearity and trimming down the data size without losing its real value, the variables were logged transformed.

### IV DATA PRESENTATION AND ANALYSIS

TABLE 4.1. FOREIGN EXCHANGE PARALLEL PREMIUM AND MACRO ECONOMIC AGGREGATES OF NIGERIA, 1981-2016.

	FDI	UNEMP	GDP	INFR
1985	20.00086	6.1	4.902233	6.3
1986	19.07931	5.3	4.902307	11.8
1987	20.22987	7	5.263364	34.2
1988	19.75217	5.3	5.573256	49.1



1989	21.3568	4.5	5.946101	7.8
1990	20.19204	3.5	6.158355	12.2
1991	20.38411	3.1	6.302014	44.6
1992	20.61417	3.4	6.774612	57.1
1993	21.01993	2.7	6.993639	29.3
1994	21.39581	2	7.244013	10.7
1995	20.79955	1.8	7.975001	7.9
1996	21.18917	3.4	8.302092	18.9
1997	21.15469	3.2	8.340277	12.9
1998	20.77332	3	8.291409	14
1999	20.72817	18.1	8.450955	15
2000	20.85441	13.7	8.811886	17.9
2001	20.89775	13.45	8.838581	8.1
2002	21.35136	12.2	8.961335	5.4
2003	21.4191	14.8	9.201655	11.6
2004	21.35136	11.8	9.342339	12.5
2005	22.3292	11.9	9.589522	13.7
2006	22.30315	12.3	9.829011	10.8
2007	22.52084	12.7	9.935825	12.2
2008	22.82699	14.9	10.09808	13.1
2009	22.86976	19.7	10.11837	10.67
2010	22.51939	21.1	10.90801	10.67
2011	22.90268	23.9	11.05058	8
2012	22.67912	25.4	11.18044	9
2013	22.43938	23.3	11.29094	12.3
2014	22.26139	24.3	11.39688	12.8
2015	21.86385	26.5	11.45259	13.1
2016	19.12896	30.75	11.11506	16
2017	18.23257	34.33	11.00789	18.7

SOURCES &lt; CBN STATISTICAL BULLETTIN 2017

**Tests of Unit root using Philip and Peron**

In an attempt to confirm the order of integration of the series under study thereby confirming their suitability for a linear combination in the form of a model, the unit root test following the form specified as Philip and Peron Test was used. Table 4.2 below represents a summary of the unit root result that was stationary.

Table 4.2: SUMMARY OF UNIT ROOTS TEST RESULTS

Variable	PP Statistic	Critical Values @ 5%	Probability Value	Inference
FDI	-6.4371	-2.9511	0.0000	I(1)
UNEMPR	-4.5527	-3.5485	0.0048	I(1)
GDPGR	-7.0344	-3.5485	0.0000	I(1)
INFR	-3.8754	-3.5443	0.0250	I(0)

*Source: Author's e-view 10 output with data in Appendix One.*

From the result of Philip and Peron unit root test contained in table 4.2, FDI, UMEMPR, and GDPGR are all integrated of order 1(1). On the other hand, INFR is integrated at 1(0) meaning that is stationary at levels. Given this different orders of integration, the Ordinary Least Square

Regression Method was given up in preference for the Autoregressive Distributed Lag Model which tolerates such stationary property combination. In addition the sample size is also good enough for the ARDL given that its estimates remain robust and consistent in the face of not too large sample size and finally good for data characterized with structural breaks.

### Basic Descriptive Statistics/ Standard tests for Normality

The statistical properties of the data sets are seen as vital determinants of their behaviors when used in econometric analyses. On the basis of this, the researcher presented in this section, the basic descriptive statistics called Normality test of the variables under study.

### Basic Descriptive Statistics/ Standard tests for Normality:

	FDI	UMEMP	GDP	INFR
Mean	21.19458	12.71000	8.652989	16.61939
Median	21.18917	12.20000	8.838581	12.50000
Maximum	22.90268	34.33000	11.45259	57.10000
Minimum	18.23257	1.800000	4.902233	5.400000
Std. Dev.	1.181384	9.353089	2.073143	12.35089
Skewness	-0.455154	0.599857	-0.337922	2.068995
Kurtosis	2.741331	2.272942	2.942460	3.362096
Jarque-Bera	1.231409	2.705899	2.165838	39.08664
Probability	0.540260	0.258477	0.338606	0.000000
Sum	699.4212	419.4300	285.5486	548.4400
Sum Sq. Dev.	44.66140	2799.369	137.5336	4881.427
Observations	33	33	33	33

**Source:** *Author's e-view 10 output with data in Appendix One.*

Table above contains the basic measures of central tendency, spread and variations calculated on the different series of the dataset. The mean of the distribution measures aggregating tendency of the data. All the variables are negatively skewed to the left showing the degree of their departure to the line of symmetry. Also, the Kurtosis of the distribution is less than 3 meaning that they are platokurtic and are not peaked. Of particular interest is the Jarque-Bera (JB) statistics which is a test for normality. It is a combined test of Skewness (S) of zero (0) and a kurtosis (K) of three (3), which are signs of a Mesokurtic distribution. In this case, however, the JB statistics shows that the variables are tending to 3 which are signs of Mesokurtic. The assumption of normality is accepted by the JB statistics, as well as the (K) and (S) figures. This, however, does not affect the goodness of the data for the estimation in this study as the kurtosis of all the variables are between 2-3 and the Skewness above 0-2 which is consistent with the properties of most financial time series ..

### ARDL ESTIMATION RESULT FOR FOREIGN DIRECT INVESTMENT AND UNEMPLOYMENT POSITION IN NIGERIA, USING BASE LINE. 1981-2017

Dependent Variable: FDI

Method: ARDL

Date: 03/04/19 Time: 16:19

Sample (adjusted): 1987 2017

Included observations: 31 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (2 lags, automatic): UNEMPR GDP INFR

Fixed regressors: C

Number of models evaluated: 27

Selected Model: ARDL(1, 0, 1, 2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.896249	0.185636	4.827988	0.0001
UNEMPR	-0.027196	0.027317	-0.995573	0.3298
GDP	0.888884	0.638831	1.391423	0.0074
GDP(-1)	-0.965635	0.590561	-1.635116	0.1156
INFR	-0.036185	0.014802	-2.444600	0.0226
INFR(-1)	0.029582	0.012898	2.293503	0.0313
INFR(-2)	-0.035338	0.013651	-2.588658	0.0164
C	3.741198	3.141447	1.190915	0.2458
R-squared	0.768280	Mean dependent var		21.30132
Adjusted R-squared	0.697756	S.D. dependent var		1.131501
S.E. of regression	0.622062	Akaike info criterion		2.106081
Sum squared resid	8.900098	Schwarz criterion		2.476142
Log likelihood	-24.64426	Hannan-Quinn criter.		2.226712
F-statistic	10.89396	Durbin-Watson stat		2.405125
Prob(F-statistic)	0.000005			

\*Note: p-values and any subsequent tests do not account for model selection.

### **Source: Author's e-view 10 output with data in Appendix One**

From the result above, Foreign Direct investment respond negatively and non significantly to unemployment position in Nigeria meaning that Foreign Direct investment respond positively to employment generation in Nigeria, Gross Domestic Product and also reduces inflation position in Nigeria.

## **V Finding and conclusion**

The broad objective of this study is to measure the Impact of foreign direct investment to unemployment position in Nigeria. 1981 – 2017. It was discovered that Foreign Direct investment respond negatively and non significantly to unemployment position in Nigeria meaning that Foreign Direct investment respond positively to employment generation in Nigeria, Gross Domestic Product and also reduces inflation position in Nigeria.

Based on findings, the study concludes that Foreign Direct investment influences the Macroeconomic aggregates of Nigeria. It should be noted that this study can be employed for the purposes of generalization and can be expanded to capture other sphere of the economy with distinctive peculiarities. Foreign Direct investment should be dutifully managed as a driver of economic growth. Effective policies need to be adopted in order to encourage the gap between parallel and official exchange rate. Mostly, gradual unification of the parallel and the official exchange markets should be adopted so as to reduce if not eliminate the negative

impact of Foreign exchange parallel premium to Macroeconomic aggregates in Nigeria and encourage foreign direct investment to prosper employment generation in Nigeria.

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