

**Investigating the effects of Resource Seeking Foreign Direct Investment
in Niger Delta on Nigeria's Economic Growth.**

Certification

Effects of Resource Seeking Foreign Direct Investment in Niger Delta on Nigeria’s Economic Growth.

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I certify that this thesis is the original and accurate version as approved by the examiners and that all relevant ordinance regulations are accomplished.

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DECLARATION

I, Endurance Nosakhare Oriakhi, at this moment, declare that this thesis is my original work and has not been submitted elsewhere in the accomplishment of the requirement of any other award in the universe. I work within the rules and regulations of Abertay's doctoral degree, and I ensured that the work of others had been correctly acknowledged.

Sign.....

Date:

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List of abbreviations

ADB: African Development Bank

CBN: Central Bank of Nigeria

CIA: Central Intelligence Agency

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

NBS: National Bureau of Statistics

NEEDS: National Economic Empowerment and Development Strategy

NEPD: Nigeria Enterprises Promotion Decree

ERGP: Economic Recovery and Growth Plan

NNPC: Nigerian National Petroleum Corporation

OECD: Organisation for Economic Cooperation and Development

OPEC: Organisation of Petroleum Exporting Countries

RSFDI: Resource Seeking Foreign Direct Investment.

SPDC: Shell Production and Development Company

SPE: Special Purpose Entities

UNCTAD: United Nations Conference on Trade and Development

UNDP: United Nations Development Programme

UNEP: United Nations Environmental Programme

Abstract

In Nigeria, the dominant foreign direct investment (FDI) inflows are in the oil and gas sector, which is determined by factor of natural endowment. This study justified that natural resource is the motivation for MNEs internalisation activities in the country. As a result, this research critically examined the role of Resource Seeking Foreign Direct Investments (RSFDIs) in the Niger Delta on Nigeria's Economic growth. To realise the research objectives, the research examined how RSFDIs are impacting employment generation, infrastructure development, welfare enhancement and economic growth. To obtain conclusions from the research, the researcher sourced and analysed primary and secondary data. Primary data on the research variables, which include RSFDI, Employment, Infrastructure, Welfare and GDP growth were sourced from critical stakeholders in the oil and gas industry in the Niger Delta. While secondary data were sourced from the Central Bank of Nigeria, National Bureau of Statistics and the World Bank. The Ordinary Least Square (multiple) regression techniques were used to estimate the research variables. For the secondary analysis, the findings show that there is a positive relationship between RSFDI and Unemployment. Hence, RSFDI does not contribute positively to the employment generation. There is a positive relationship between RSFDI and Infrastructure, Welfare and GDP. However, all of these relationships are insignificant. For the Primary analysis, the relationship between RSFDI and Unemployment is positive, implying that RSFDI does not promote employment. The relationships between RSFDI and Infrastructure, Welfare and GDP, are positive. However, these relationships are insignificant. The conclusion reached in the research is that RSFDI has not been effective in

promoting employment in the Niger Delta. Though it contributes to infrastructure, welfare and GPD, these contributions are not significant to justify investments.

CHAPTER ONE

Introduction

1.0 Background of the study

Existing literature has extensively documented the role of foreign direct investment (FDI) in promoting economic growth across the globe (Szkorupová, 2014; Delgado, McCloud and Kumbhakar, 2014). Evidence from empirical research reveals that FDI promotes economic growth through employment generation, skills transfer, infrastructure development and spread of international corporate governance practice, among others (Sodipe and Ogunrinola, 2011; Agarwal and Whalley, 2015). However, it has also been argued that FDI from the extractive sector is not growth-enhancing compared to FDI from the manufacturing industry (Akinlo, 2004; Ozekhome, 2017). While export, human capital and labour show a positive relationship to economic growth, there is an insignificant positive correlation between FDI effect and economic growth (Ozekhome, 2017). A mix of variables determines economic growth. It is made up of political, democratic and institutional variables such as the rule of law, corruption control, bureaucratic process and level of accountability among others, and these attract FDI (Lim, 2001; Ozekhome, 2017).

According to the United Nations Conference on Trade and Development (UNCTAD) (2006), FDI inflow from the oil sector accounts for 90% of the total

inflow to West Africa. In the Sub-Saharan region, Nigeria has the largest economy (GDP of about \$521.8 billion) and the most attractive market in Africa (70% of the Sub-Saharan total and 11% of Africa's total FDI). However, there has been a decline in FDI inflows in recent years because of weak infrastructure, poor macro-economic policy environment, security issues, political instability and a pervasive rent-seeking behaviour (UNCTAD, 2015).

The FDI from the oil and gas sector is not growth-inducing due to its disconnection from the economy (Akinlo, 2004). For example, the Niger Delta produces the highest volume of Nigeria's wealth and revenue, but to date still suffers from untoward backwardness and is severely under-developed. The Niger Delta region is in the South-South geo-political zone of Nigeria; it covers over 70,000 square kilometres, which is 7.5% of Nigeria's landmass, and it is home to some 31 million people (Aduloju and Okwechime, 2016). The Niger Delta region is facing many challenges arising from the activities of the oil industry. These include water pollution, air pollution, noise pollution, food shortages, poverty, conflicts, and unemployment (Aduloju and Okwechime, 2016). This is particularly disheartening because oil from the region accounts for a large chunk of Nigeria's gross domestic product.

The resources that accrue from the Niger Delta oil is under the control of the federal government, which has failed to invest the substantial revenues in the country's economy and regional development. Communities in the Niger Delta live below the poverty line and in circumstances that do not mirror the level of

funds generated from their land (Amnesty International, 2008). Most of the people in those communities live in mud houses and have very limited access to potable water, resulting in high instances of ill-health. This is in addition to environmental pollution, pervasive poverty and under-development in the region; this mirrors the plight of the rest of Nigerians also living below the poverty line (Babalola, 2019).

Agriculture forms the mainstay of the Nigerian economy. It accounts for an estimated 70% of the active labour force in Nigeria, and the majority of these are rural dwellers (Olajide, Akinlabi and Tijani, 2012). However, the growth in the manufacturing and service sectors of the economy has contributed to a shift in population distribution between the urban and rural region. The discovery and production of oil have also contributed to the shifting population dynamics. The overall development of the economy has also seen former rural settlements turned into urban cities. These factors have made the urban cities the hub for higher-paying jobs even as there is also a greater likelihood of access to essential infrastructural services there. According to the World Bank, Nigeria has a score of 48.8 on the measure of inequality. Nigeria's score on the Gini index points to a state that is averagely unequal. The distribution of income among the citizens over the years has been largely biased in favour of the elites leading to the perpetuation of poverty among the bulk of the populace (Bakare, 2012). The high level of economic inequality is also a growing problem.

The generation and equitable distribution of government revenues have been sub-optimal over the years. This has led to a widening gap and a non-inclusive state in Nigeria. According to a report by the United Nations Development Programme (2018), 53.5% of a total of 183 million Nigerians live below the standard income poverty line of \$1.90 a day. These realities over the years have impacted on other aspects of the socio-economic well-being of the citizens such as life expectancy (estimated at 53 years) and access to education, among other indicators. For example, access to education is higher in the southern region when compared to the northern region of the country. The link between FDI and economic growth has been examined by competing theories of economic growth and development (Kshetri and Alcantara, 2016). The two-dominant approaches to FDI are from the perspectives of, 1) the market seekers and 2) the resource seekers.

Market-seeking FDI is defined as an investment orientation where international firms looking to enter foreign markets rely on local market growth to generate revenue for their businesses (He, Zhang and Wang, 2015, Brouters, Gao and McNicol, 2008). Resource-seeking FDI, on the other hand, could be defined as an orientation where international firms focus on the export sector of the local economy to generate revenue. Market seekers are often propelled to invest in foreign markets because of the availability of enormous potentials in those markets which will ensure adequate demand for their products and services (Dunning, 2000).

According to Brouthers, Gao and McNicol (2008), it is the size and income of an economy that pulls market seekers into such an economy. Large and growing populations also motivate market seekers to invest as this enables them to tap into a large workforce (Lim, 2017). Investors that are driven by the market- seeking often operate in the manufacturing and service sectors, producing consumer goods and services (Ramasamy and Yeung, 2010). Another investment incentive for market seekers is the availability of cheaper rates. This fact is seen in investment decisions in under-developed countries. These host countries are considered lucrative markets, so the foreign investor strives to get a greater share of the market by providing more services at cheaper rates (Czinkota and Skuba, 2014).

Resource-seeking FDI is driven by investors that move to countries with a natural resource such as oil and gas deposits. Investors in this category operate more in extractive industries (Dunning, 2000). Evidence of abundant natural resources in a host country is measured by the degree of natural resource rent available in the country. This also signifies the low cost of natural resource in the host country which is an attraction to foreign investors (Okafor, Piesse and Webster, 2015), Examples of sectors sought by resource seekers include unskilled labour, minerals (solid and liquid) and agricultural products. Theoretically, scholars disagree on the impact of this type of FDI on economic growth (Brouthers, Gao and McNicol 2008). According to Brouthers, Gao and McNicol (2008), resource-seeking FDI breeds corruption, and this inherently affects the sector's ability to improve a country's economic growth effectively.

The basic concern of resource seekers is not only promoting the industry but also getting more profit with less effort. For this purpose, they invest in different countries where there are many natural resources (Baland and Francois, 2000).

This research aims to critically examine the effects of Resource-Seeking Foreign Direct Investment (RSFDI) in the Niger Delta on Nigeria's economic growth. This research is important because Nigeria has not been witnessing an appreciable level of economic growth and social development despite its size and abundant level of growth. The country receives a significant quantity of foreign direct investment, but this has not translated to an improved level of economic growth in the country. For decades, the bulk of FDI into the country has been channelled towards primary industries such as mining and oil and gas, adding little value to the economy in terms of employment generation, better infrastructure and better living conditions

The decision to carry out this research is informed by the scale of unemployment prevalent in the Niger Delta and the wider Nigerian economy which does not mirror the volume of FDIs. The researcher believes that the present structure of FDI inflows into the Nigerian economy is skewed towards primary industries. Given that these industries do not create an effective value chain in the country's economy, their ability to create jobs is very limited. This is because the bulk of the output of primary industries in Nigeria is exported, processed and then imported back into the Nigerian economy and sold to

consumers. The need to prove that alternative FDI inflows such as market-seeking industries might provide a better job creation opportunity in the country's economy propelled the researcher to focus on this research area. The researcher hopes that the result will provide Nigerian authorities insights needed to pursue focused FDI with the right initiatives.

1.2 Concepts Definition

Foreign Direct Investment (FDI) is defined as an acquisition of 10% or more ordinary shares with an accompanying right to vote in a business based abroad (Patterson, Montanjees, Cardillo and Motala, 2004). Another definition by the Organisation for Economic Co-operation and Development (OECD) (2008), described FDI as a strategic acquisition of voting rights and share in a foreign-based firm evidenced by the investment of a minimum of 10% of the equity and physical structures on the ground such as production facilities, capital goods and inventories.

Economic growth is defined as progress made in all sectors of an economy in terms of volume and value of output, employment rates, a factor of production and how these are converted to improved welfare for the citizens of the country (Ozekhome, 2017). One of the measures of economic growth or performance is per capita income and gross domestic product (GDP) as a proxy measure of economic activities (World Bank, 2002, cited in Aigheyisi, 2014).

However, some authors have argued that GDP does not always lead to better welfare for citizens and so doubt the validity of Income as a measure of economic performance (Ozekhome, 2017; Parka, Ryub and Lee, 2019). Human development index (HDI) has been suggested as a more robust and holistic measure of welfare improvement as a result of economic growth (Martínez-Guido, González-Campos and Ponce-Ortega, 2019). Natural resources are defined by the World Trade report (2010, p. 46), as "stocks of materials that exist in the natural environment that are both scarce and economically useful in production or consumption, either in their raw state or after a minimal amount of processing". Therefore, for an item to be classified as a natural resource, it must be scarce in the economic sense or of direct value for consumption or production.

1.3 Statement of the Problem

Environmental degradation is an issue of global concern, especially in developing countries where natural resources are heavily exploited. Environmental degradation is caused by the activities of human beings and often becomes critical in places where natural resource, such as crude oil, is explored (Kadafa, 2012). According to the United Nations report (2015), cited in Solarin and Bello (2018), the problems of environmental degradation brought about by climate change are so critical that urgent action needs to be taken to redress the present situation. Events likely to cause environmental degradation to include, but are not limited to, flooding, sewage and water pollution, coastal and riverbank erosion, noise pollution, oil spillage, gas

flaring, soil fertility loss and deforestation (Kadafa, 2012). Of all these contributors to environmental degradation, gas flaring and oil spillages are significant challenges in the Niger Delta. From the inception of oil exploration in Nigeria, the Niger Delta has suffered environmental degradation by way of gas flaring. According to Uyigue and Agho (2007), it is unethical for multi-nationals to allow gas to burn in the process of exploring petroleum. Gas flaring has been going on in the Niger Delta, leading to environmental degradation in the region and to inclement climatic conditions and soil erosion that result in low yields of crops. Inhabitants are also continuously inhaling air polluted by poisonous gases leading to diseases and possible reduction in life spans (Olubayo and Ebenezer, 2013)

The impact of climate change which is made worse by gas flaring is mostly felt in developing countries since the majority of their citizens rely on the natural environmental resource for their sustenance (Akpodioyaga and Odjugo, 2010). This applies to the people living in the Niger Delta. Nduka et al. (2008), in their investigation of the effect of gas flaring on the Niger Delta environment, focused on the acid rain phenomenon in the area. The results showed that rainwater from two primary Niger Delta states was highly acidic compared to other states where oil exploration activities did not exist. The acid rain problem contributes to the deterioration of the quality of arable land and also harms and destroys aquatic life (Adedunta and Owokotomo, 2018). The Niger Delta is mostly a riverine terrain and the major source of livelihood is fishing. With

a degraded aquatic ecosystem, however, people living in the area often struggle to make a living.

Gas flaring exposes environments to various dangers; for example, the health of the citizens is adversely affected because the air they breathe is polluted. A study by Mafimisebi and Nkwunonwo (2014), which focused on the effects of gas flaring and the associated climate risk from the perspective of the Nigerian petroleum industry, found that climatic changes as a result of gas burning in the Niger Delta may have caused more significant damage than was formerly known. To appreciate the effect of environmental degradation from gas flaring in the Niger Delta, experts from Friends of the Earth estimated that in 2004, over 3.5 billion standard cubic feet of natural gas was produced in the Niger Delta out of which over 70% was flared. Equally, experts also estimated that 2.2 billion standard cubic feet of natural gas were flared for every 2.2 million barrels of crude oil produced in Nigeria (Mafimisebi and Nkwunonwo, 2014).

The cause of environmental degradation in the Niger Delta is not limited to gas flaring. As a matter of fact, oil spillage produces the most damaging effect on the Niger Delta environment. Since exploration started around the world for crude oil, oil spills have been a critical contributing factor to environmental degradation and have been affecting natural ecosystems negatively (Kadafa, 2012). Spillages have been occurring in Nigeria on a scale not seen in other countries where crude oil is explored, and this has resulted in the near destruction of ecosystems within the Niger Delta (Kadafa, 2012).

In 1994, the Niger Delta recorded the highest number of spillages in a single year with a total of 500 incidents (Olubayo and Ebenezer 2013). This degree of oil spillage in a single region in one year should raise alarms. According to Nduka et al. (2008), since 1960, there have been up to 4,000 oil spills in the Niger Delta according to figures obtained from the United States Department of Energy. The discharges are so widespread on land, ponds, streams, creeks, ditches and rivers within the Niger Delta are affected. Oil spillage destroys both arable lands and aquatic life, and these have been happening at significant levels in the Niger Delta region. Oil spillage in the Niger Delta is challenging because the multinationals hardly engage in clean-up activities after incidents (Osuji, Onojake and Chukunedum). Often, oil spills leave lasting damage to the environment, rendering soil unsuitable for agricultural purpose for generations.

Oil spillages cause soil as well as human infertility, and petroleum fires that come with it led to devastating damages to the ability of the environment to sustain life (Jike, 2004). Multinational companies operating in the Niger Delta, especially in oil exploration, have continuously recorded oil spillages in the course of their exploration activities (Frynas, 2005). Although the oil companies in the Niger Delta have achieved tremendous financial successes from oil exploration in the region over time, they have left in their wake enormous amount of oil spillages which often extend to hectares of farmlands, making those farmlands utterly useless for farming. Usually, one can see dead fishes floating on the region's rivers and waterways, signifying destroyed aquatic life (Eregha and Irughe, 2009; Aghalino and Eyinla, 2009). This mainly

destroys the source of livelihood of the inhabitants as rivers and swamps dominate the Niger Delta area, which should have provided a thriving fishing industry. With polluted watercourses, however, the fishing industry in the region is dying as aquatic life stands little chance of survival or multiplication.

Environmental degradation from gas flaring and crude oil spillages have been at the centre of agitations by the ecological rights groups in Nigeria such as Environmental Rights-Action 4 Justice. Also, there has been a protracted issue of youth restiveness in the Niger Delta. These cases of restiveness emanate from the fact that environmental degradation has destroyed the two main sources of livelihood, farming and fishing, leaving the youths unemployed and therefore increasing the tendency to adopt criminal activities as a means of survival. For example, they have on several occasions taken foreigners working in the Niger Delta hostage and demanded ransoms in the form of cash payments from the multinational oil companies (Ikelegbe, 2006; Obi, 2009). They also turn to pipeline vandalism from where they syphon crude or refined oil for sale. We find out if the above environmental degradation worth it or not. Is it worth having FDI despite the above degradation caused by gas flaring and oil spills? The question is whether FDI has contributed to the creation of jobs, better infrastructure and good quality of life in the Niger Delta?

1.3.1 Employment

An employment opportunity in the Niger Delta is one of the variables this research aims to explore. Employment is a vital element of modern economies. It is a crucial aspect of the economic and social development process of any country. In the issue of poverty reduction, the role of employment cannot be overemphasised. When enough opportunities for employment are available to the population, the incidence of corruption and agitation can be minimised. So, to achieve a contented and enduring society in an environment like the Niger Delta, the issue of employment needs to be given priority at all times.

Despite the well-documented destruction of the environment, investments in the oil and gas sector have continued because of the high revenue that is generated for the country. The question, however, is, 'has the revenue and RSFDI led to jobs creation, improvement in welfare and better infrastructure in the Niger Delta?' Akinlo (2004) reported that there is a positive correlation between economic growth and human resources development and human capital. Thus, investment in human capital is a logical step since there is supposedly an opportunity, and a great need due to growing unemployment, changing market dynamics and difficult business environment (Kamel 2017). The oil and gas sector, like every sector, requires labour as input which ideally should be sourced locally since there is a high cost of communication between host and home countries (Gui-Diby and Renard, 2015). However, the complex nature of operations in the oil and gas industry requires special skills and technical knowledge which may not be readily available in the local labour

market. This can result in unemployment among the locals who are available but lack the required skills and so are not suitable for employment.

This may or may not be the case in the Niger Delta, but the level of unemployment is worrisome in the region that produces the bulk of the country's wealth. This situation is pervasive, especially among the young population, despite a high concentration of FDIs in the area (Ebegbulem, Ekpe and Adejumo, 2013). Statistics show that over an extended period and to date, unemployment among the youths in Nigeria, including the Niger Delta, has been at an unacceptable level of 42% (Enilolobo, Mustapha and Ikechukwu, 2019).

Also, the unemployment situation in the Niger Delta is compounded by the fact that youth unemployment in Nigeria is put at over 50% (Okafor, 2011). The case of the region is made worse by factors that have further destroyed existing employment avenues. As has been pointed out earlier, massive oil spillages and pollution, leading to depletion of aquatic resources and reduction in soil fertility, have already significantly shrunk the farming and fishing businesses in the region (Ihayere, Ogeleka and Ataine, 2014). According to a World Bank report cited in Tambari and Imoh (2016), the rate of unemployment in the Niger Delta is alarming, given the vast resource endowment in the region. Darma and Ali (2016) pointed out that although resource-seeking FDI has a positive effect on GDP and government revenue in

Nigeria, it is yet to produce a significant contribution to employment generation.

In discussing the Niger Delta and employment, one would want to assume that this area of Nigeria will have a reduced challenge and more availability of employment opportunities. Naturally, an economic area blessed with a natural resource should not have endemic employment problems. This is not the case with the Niger Delta region. There are substantial environmental degradation and reduced avenues of employment in addition to the unwillingness of the Nigerian government to enforce environmental best practices in the oil sector. There is little or no action directed towards ensuring that multinational oil companies take measures to minimise the incidence of oil spills. This could be in the form of quick containment of spill incidents, curtailing the severity of spills and immediate clean up after incidents (Ihayere, Ogeleka and Ataine, 2014).

Still on the unemployment fallouts of degradation, Najjiba, Onya and Adams, (2016) argued that acid rain resulting from gas flaring destroys biodiversity in the Niger Delta. They note that forests are being diminished, and economic crop such as cassava, yam and maize no longer thrive in the region. A study by Zabbey and Uyi (2014), which focused on the impact assessment of two high volume oil wells in the Niger Delta, showed that communities living in soft sea areas suffered from a catastrophic decline in rich quantities of species by as much as 80% as a result of oil spills. These environmental challenges, as a

result of the activities of oil and gas FDI, have undoubtedly worsened unemployment level in the Niger Delta.

1.3.2 Infrastructural Facilities

Another variable of interest in this research is the issue of infrastructure provision in the Niger Delta. In order to develop, countries strive to invest in infrastructures. The availability of infrastructures makes business activities easier and efficient. Infrastructure is one vital developmental variable that countries must provide themselves. This section of the research explores the concept of infrastructure provision and it is important for the development of the Niger Delta region of Nigeria.

According to Ernst and Young (2013), one of the determinants of FDI is the level of a country's institutional framework which can be positively and significantly related to economic growth. Other related determinants include the rule of law, control of corruption and bureaucratic procedures. One of the main attractions for investors is the availability of infrastructures. A sound institutional framework which supports foreign direct investment is significant for driving rapid economic growth (Ozekhome, 2017). Thus, weak infrastructure scares away potential investors and so directly contributes to unemployment.

Other factors which negatively affect economic growth in the same way as weak infrastructure include corruption, weak accountability system and

political instability since they equally affect the quality of infrastructure and completion of the infrastructural projects (Eregha, 2014). Therefore, establishing a system of accountability, strengthening the fight against corruption, appropriate and consistent macro-economic policies and political stability all contribute positively to economic growth and increase investment which brings in more jobs, thus reducing the level of unemployment.

Infrastructures such as motorable roads, electricity, internet and communication network, water availability, hospitals, bridges, education and public water supply are vital to the development of any area, be it a nation, a region or a local government. Adequate availability of infrastructure enhances the ease of doing business and attracts external investors to the area. The absence of sustainable development caused mainly by the shortage of infrastructure has held the progress of the Niger Delta region for decades.

According to Ugoh (2010) and Salami, Lawal and Atoyebi (2016), infrastructures which should spur investments, growth and jobs are in deficit in the Niger Delta despite the massive presence of resource-seeking foreign direct investments. According to OPEC report (2019), Nigeria's earnings from petroleum export amounted to \$54.5 billion in 2018. This is particularly noteworthy given that investments in the petroleum industry form the bulk of the country's resource seeking FDI inflows. However, this amount of revenue has not translated into an improvement in infrastructure presence in the country, especially the Niger Delta (Elwerfelli and Benhin, 2018).

Water covers a significant part of the Niger Delta area, but oil spills cause contamination in the water supply in most of the area leading to challenges in sourcing potable water. Water from rivers, creeks, lakes, streams etc. within the region can only be fit for drinking and carrying out basic household chores if advanced treatment facilities are provided. Since adequate attention is not paid to the development of the region, few resources are devoted towards the provision of infrastructural facilities in the Niger Delta and this includes the provision of an adequate water treatment system (Babalola, 2014).

There is also need for bridges in the Niger Delta to connect the rural communities to neighbouring towns so that they can easily transport and sell their agricultural produce. The infrastructure problem has an adverse spillover effect in the Niger Delta because its absence breeds a high level of unemployment resulting in many social vices. Youths in the Niger Delta, where infrastructure is mostly lacking are forced to migrate to other cities in and outside Nigeria. It is worth noting that in the past, contracts for roads, schools and hospitals awarded by the Nigerian government and federal agencies tasked with the targeted development of the Niger Delta are often not implemented due to corruption (Ekenyong and Mmon, 2015).

1.3.3 Health and wellbeing

Health and wellbeing within the Niger Delta is one of the variables of interest in this research. Part of a country's developmental process is the improvement in the health and wellbeing of the population. A healthy and happy population

invariably will be more productive. This is in contrast to a population that is mostly ill and always complaining as a result of the state of their income and the state of their country's economy.

One of the most significant challenges facing all African countries is poverty as a result of market imperfections, inequalities and failed macro-economic policies. The level of poverty is reflected in poor health conditions (Ahmed and Nwankwo, 2013). Economic growth is one of the main determinants of human wellbeing in its various dimensions which include other physical and social indicators of quality of living and liberty such as standard of living, affordable and accessible health facilities, and access to state-of-the-art medical knowledge and facilities. (Gokmenoglua et al.,2018). This aligns with Stiglitz (2006) and Ozekhome (2017) who argued that as a result of a narrow focus on GDP, other vital factors of development such as education and health could be overlooked.

According to Ugoh (2010), welfare in the Niger Delta is low in comparison to resource availability in the area. Economic growth and improved wellbeing are hardly recorded in an unsafe/ sterile environment. Ologunla, Kareem and Raheem (2014), noted that a unit increase in the volume of FDI into the Niger Delta significantly increases the level of oil spillage, land degradation and air pollution. This hurts the health and wellbeing of the indigenes of the Niger Delta. Also, according to Ologunla, Kareem and Raheem (2014), resource-seeking FDI has a permanent adverse effect on the environment in the Niger

Delta, worsening the economic wellbeing and the living standards of people living in the area. The living standards in the Niger Delta are also made worse by the perennial youth restiveness in the region.

The incidence of youth restiveness, often ignited by a reduced living standard, occasioned by the lack of sustainable practices of resource-seeking FDI in the region (Ikelegbe, 2006), coupled with the high unemployment levels and high cost of living, mostly raise the poverty levels in the region (Oviasuyi and Uwadiae, 2010). A United Nations Environmental Programme report on the environmental impact assessment of Ogoniland in the Niger Delta showed a high quantity of hydrocarbon contamination of surface and groundwater, soil and sediments (UNEP, 2011).

Oil exploration in the Niger Delta has led to long-term health hazards for the people living in the area. This is because the communities are directly exposed to hazardous pollutants burned from the process of oil production. These dangerous pollutants often come from gas flares that did not wholly combust. Also, people's health is damaged as a result of drinking water loaded with heavy metals. Heavy metals have been scientifically linked to skin diseases, neurological diseases, reproductive problems, development problems, cancer, organ damage and a lot of terminal health conditions (Olayinka and Ogunsola, 2017).

To further compound the difficult circumstances faced by the communities in the Niger Delta, acid rain continually corrodes roofing sheets; this further reduces the standard of living and raises costs (Uyigue and Agho, 2007). According to Olayinka and Ogunsola (2017), the region has lost severely in terms of physical health since the beginning of oil exploration. Life expectancy in the region before the commencement of oil exploration in the region was 70 years; recently, it has dropped to as low as 40 years (Olayinka and Ogunsola, 2017).

As a result of poor welfare, malnutrition has become a significant challenge in the Niger Delta. This challenge arises as a result of acute income and food shortages since the environment that should provide for the people has mainly been degraded. Aside from the malnutrition challenge, the people of Niger Delta suffer from poor sanitation and inadequate potable water supply. Children are unable to receive immunisation because health workers find it difficult to access local communities and villages as a result of poor infrastructural facilities. The welfare challenge in the Niger Delta is so critical that some children suffer from stunted growth and are unable to realise their full potentials.

Daily, the people of Niger Delta struggle to access the necessities of life and the most affected are the extremely poor. They are highly deprived and live in a constant state of social insecurity characterised by inadequate shelter, uninhabitable villages, inadequate health services, unemployment and poor

access to education (Ebegbulem, Ekpe and Adejumo, 2013). The welfare situation in the Niger Delta is made worse given that the ecological environment that had always been the mainstay of the local people is in near-total extinction; hence, the people can no longer provide for themselves.

This research will fill the knowledge gap by reconciling the problem in theory which is the lack of research in RSFDI studies in Niger Delta and the problem in practice which can be seen in the effects of FDI on the environment, employment, welfare and infrastructure. There are studies that have touched on the topic of the effect of FDI inflows on employment, welfare and infrastructure in Nigeria's Niger Delta, but no existing research has developed a theoretical framework on the effect of RSFDI on employment generation, infrastructure development, health and wellbeing of the Niger Delta region of Nigeria. It is on the light of these gaps that this research is being undertaken. This study seeks to develop a theoretical framework establishing a relationship between RSFDI and employment generation, infrastructure development and welfare in the Niger Delta.

1.4 Aim and objectives of the study

The main aim of this study is to investigate the effects of resource seeking foreign direct investment in Niger Delta on economic growth. To achieve this aim, the following objectives are to be achieved:

1. To evaluate the effect of RSFDI on employment generation in the Niger Delta;
2. To analyze the effect of RSFDI on asset tangibility (Infrastructural facilities) in Niger Delta;
3. To assess the effect of RSFDI on the standard of living (using income per capita growth); and
4. To determine the impact of RSFDI on GDP growth in Nigeria.

1.5 Hypotheses

After reviewing the relevant literature on FDI and economic growth, in line with the research objectives, the following hypotheses have been developed for the study.

1.H₁₀: In the Niger Delta, there is a negative correlation between RSFDI and employment generation

H_{1a}: In the Niger Delta, there is a positive correlation between RSFDI and employment generation

2.H₂₀: In the Niger Delta, there is a negative correlation between RSFDI and the availability of tangible asset (infrastructural facilities)

H_{2a}: In the Niger Delta, there is a positive correlation between RSFDI and the availability of tangibility asset (infrastructural facilities)

3.H₃0: In the Niger Delta, there is a negative correlation between RSFDI and improved standards of living (Health and wellbeing)

H_{3a}: In the Niger Delta, there is a positive correlation between RSFDI and the improved standards of living (Health and wellbeing)

4.H₄0: RSFDI in Niger Delta does not contribute positively to Nigeria's GDP growth

H_{4a}: RSFDI in Niger Delta contributes positively to Nigeria's GDP growth.

1.6 Methodology Statement

It will be explained in more details, in chapter 5 that the research philosophy of this study is positivism because it involves the use of scientific means to generate new knowledge using quantitative data. In this regard, the research methodology employed a combination of primary data from survey questionnaires, and secondary data (*ex post facto*) sourced from the Central Bank of Nigeria, World Economic Indicator, Ministry of Niger Delta Affairs and the National Bureau of Statistics. The secondary data collected and used for the research include GDP growth rate, Income per capita, RSFDI, Infrastructure and Unemployment rate. The secondary data collection covered 23 years (1994-2016).

The respondents for the questionnaire were sourced from the Ministry of Niger Delta Affairs, Niger Delta Development Commission, oil and gas companies and non-governmental organisations working in the Niger Delta area. For the primary data, a total of 800 questionnaires were sent out with 500 returned, making the response rate of 62.5%. To ensure that the primary data, which is the Likert scale questionnaires, meet the research objectives, a pilot study was conducted to get the input of professionals in its design and to achieve reliability requirement for the research. IBM SPSS 23 AMOS statistical instrument was used to analyse both primary and secondary data.

1.7 Scope and contribution of the study

The study is focused on RSFDI of multinational corporations (MNCs) in Nigeria's Niger Delta region. The reason for this is that the bulk of foreign direct investment into Nigeria is in the Niger Delta. Also, since oil and gas exploration, which forms the greatest part of Nigeria's foreign exchange earnings, happens in the Niger Delta, the researcher had to limit the research scope within that region. This way, the research results can have the needed intended effect. It is hoped that the research will contribute to knowledge in the area of FDI and its effects on employment, infrastructure development and welfare of individuals living in an area where natural resources are explored. It is envisaged that the study will contribute to existing knowledge on the best approaches to attract FDIs to ensure they effectively enhance economic growth and directly improve the lives of the people living in respective local economies where they are located.

This is because any study that can determine the impact of foreign direct investment on economic growth will have numerous economic implications such as the "R" squares value carried out in this study. Thus, the results of this study will promote the quality of policy on resource-seeking foreign direct investment in the Niger Delta. One reason for the failure of FDI to contribute to industrialisation could be government's failure to establish an enabling environment for FDI to catalyse industrialisation. This situation results in hosting resource-seeking FDI inflows and the existence of weak or no links between MNCs and local enterprises. These results should galvanise African policymakers to rethink the design of national policies aimed at attracting FDI, as well as to design and implement sound industrial policies and streamline both types of policies in the same framework. The coherence of both sets of policies will be critical to optimising the benefits that these countries and their people will be able to receive.

Therefore, in order to harness the contribution of FDI to the economic growth of Nigeria, there is a need to prioritise economic development policies that must be implemented by the oil and gas sector in Nigeria. Other policies include local content development policy which focuses on encouraging the growth of local industry and production and also stimulates the development of skilled human resources in the country, thus retaining some of the benefits of the FDI. Researchers in the field of foreign direct investment and economic growth will benefit from this study as it bridges knowledge gaps on the effects

of natural resource seeking foreign direct investment in the context of Nigeria's oil and gas sector. This study will also provide a historical background of the activities of RSFDI plus the transformational changes from the pre-colonial era to date, assess a dynamic of the distribution of wealth in Nigeria and provide workable solutions to deficiencies therein.

1.8 Structure of the thesis

Chapter one introduces the direction of the research, pertinent issues in Nigeria's Niger Delta, including the research problem and discusses basic concepts in foreign direct investment. It also presents the hypothesis to be tested in the research. The critical variables in this study are considered. They are employment, infrastructure and welfare. The chapter introduces resource-seeking foreign direct investment and market-seeking foreign direct investment. It also presents the scope and the potential contribution of the research to knowledge.

Chapter two begins with an introduction to the Nigerian business environment. It features a discussion of the Nigerian economy and society. This is followed by an exposition on Nigeria's foreign direct investment policy framework. It describes Nigeria's enterprise's promotion decree, which is aimed at encouraging investment in Nigeria. It discusses the national economic empowerment and development strategies and Nigeria's Vision 20:2020 project, which is a policy document designed to capture Nigeria long term developmental goals and other investment matters and strategies in Nigeria.

In chapter three, a conceptual review of FDI and economic growth is undertaken. The concept of FDI is examined, including the definition. Various classifications of FDI. It also covers the determinants and measurements of FDI. The concept of economic growth and its various elements are also discussed. Chapter four reviews the theories and studies of FDI and economic growth. It starts with the classical and neo-classical trade theories, and other important trade theories including product life cycle, portfolio theory, market imperfection etc. Finally, the chapter discusses economic growth theories and concludes with research hypotheses and the theoretical framework.

Chapter 5 presents the methodology, methods and research design applied in this research. After the introduction, the next stage dwells on essential requirements for research, the research philosophy, strategy and approach. The chapter also features debates on the nature and sources of data and data estimation techniques. Chapter six contains data presentation, estimation and analysis. Two sets of analysis are carried out in this research. Section A, which is an analysis of secondary data obtained from governmental archives and section B, shows the report derived from the Likert Scale questionnaires which were administered in Niger Delta. Both sets of estimation and analysis are carried out using the suitable tools identified in Chapter 5.

Chapter seven discusses the results from the data analysis, the outcomes of the four hypotheses and the research findings. Also, the discussion of the

findings of the four hypotheses provides a base for the hypothesis which is accepted or rejected. Chapter Eight provides a summary and conclusion of the research. The reconsideration of the research objectives, the research contribution to knowledge and the implication of the study. The chapter also contains the research recommendations, limitations of the research and finally, the proposals for future research.

CHAPTER TWO

SOCIO-ECONOMIC ENVIRONMENT AND OIL & GAS INDUSTRY IN NIGERIA

2.1 Introduction

This chapter is about the socio-economic context and how it impacts on the oil and gas industry in Nigeria and vice versa. It provides a picture of the social and economic context which entails economy, society and politics and how this has contributed to the development of Nigeria's foreign direct investment (FDI) policy and Nigeria's oil and gas sector. This chapter also covers the history of the oil and gas industry as well as the developments in the sector from the pre-colonial era to date. It describes the intricacies of the social fabric of Nigeria, its population dynamics, migration pattern and wealth distribution. This chapter is essential because it sets the context for the study of the impact of RSFDI.

2.2 Nigeria: Economy, Society and Politics

Nigeria's population and economy put the country in a pivotal position in the African continent. With a GDP of about \$397.27 billion and over 195 million people in 2018 (World Bank, 2019). Nigeria qualifies for a leading role in Africa. These figures are large enough to serve as a source of attraction for foreign direct investment. FDI inflow to Nigeria accounts for about 70% of the aggregate figures for West Africa dominated mainly by the oil sector (World

Bank, 2014). Recently there has been a decline in FDI inflows which is attributed to several factors such as political instability, poor macroeconomic policy landscape, insecurity, weak infrastructure and bureaucratic processes (UNCTAD, 2015).

Nigeria is mostly tagged as a secular nation and has highly diversified and developed religious groups. According to a 2013 estimate by the Central Intelligence Agency (CIA), World Factbook (2019) Muslims constitute 51.6% of the population while Christians make up 46.9% even as traditional worshippers and those in the unspecified category are estimated at 0.9% and 0.5% of the total population, respectively. The spread of religion shows a spatial distribution across the geographical regions in Nigeria. The southern part of the country is largely dominated by Christianity, while Islam dominates the northern and western parts of the country. The practice of the traditional beliefs, often termed indigenous beliefs, is mostly curtailed within specific local communities

The political structure adopted by the Federal Government has continually seen a rising expenditure for operational and wage payment purposes. This rising recurrent expenditure has created a situation where funds allotted to capital projects are often inadequate (Iyoha et al., 2015). Since the re-occurrence of democracy in 1999, the budget analysis shows a persistently higher recurrent expenditure compared to spending on infrastructural development across the country. A report by OECD, 2015 on the rationalisation and restructuring of

Federal Government's parastatals indicated that Nigeria has an estimated 30,000 employees in the various 263 statutory agencies across the nation. This essentially makes the cost of governance in Nigeria among the highest globally (Okeke and Eme, 2015).

According to Ejuvbekpokpo (2012), a unit rise in recurrent administrative expenditure is associated with a 0.52 unit fall in the gross domestic product (GDP). The Africa Infrastructure Country Diagnostic Report by the African Development Bank (ADB) indicates strong economic growth (50%) to improved investment in infrastructure. This low investment in capital expenditure partially explains the current 26th position of Nigeria in the Africa Infrastructure Development Index (ADB, 2017a). The service sector contributed 50% of GDP while Oil contributed 87.7% of foreign exchange earnings (Allwell, 2018). The contributions of the service sector to the Nigeria GDP has experienced over 80% growth between 2006 and 2016. This astronomical growth in the service sector has been linked to several factors, which includes supportive government policies, increased foreign direct investment (FDI), relatively stable macroeconomic and political climate. The Nigeria service sector accounts for almost 50% of all new projects funded by private inward FDI since 2009 (Oh, 2017).

An agriculture-driven economy characterised Nigeria's pre-colonial era. The discovery of crude oil in commercial quantity in 1956, heralded the transformation of the agrarian economy to an oil-driven economy. Nigeria, like

the rest of Africa, lacked a centralised political structure and an organised economic system during the pre-colonial era. Hence, it was generally backward compared with the rest of the world and the colonial masters (Osafo-Kwaato, and Robinson 2013). Prior to the discovery of huge oil reserves, the country was the world's largest exporter of groundnuts and palm produce and the second-largest exporter of cocoa. These three crops provided about 70% of the value of Nigerian exports (Kirk-Greene and Rimmer, 1981, in Babalola, 2019). However, the advent of oil brought about a decline in the contribution of agriculture to national revenue mainly due to low profitability from agriculture and the attractiveness of the oil sector to capital and labour (Babalola, 2019). Some sectors like banking, however, benefited from the oil sector growth while manufacturing suffered a decline.

Trade and merchandise formed the core interests of the colonial masters, and several structures were developed to facilitate trade (both human and natural resources) across the nation. While the port is the primary point of entry and exit for the British, elaborate structures in the form of rail transportation were developed to access the hinterlands of the country. The combination of the Northern and Southern protectorates with the Colony (Lagos) in 1914, the naming of the country from the River Niger as Niger-area, the establishment of indirect rule through local chiefs formed the major political landmarks during the colonial era.

The post-colonial Nigeria political system is a mix of military and democratic governance with a civil war which lasted for 30 months. The rise of agitation for self-rule in addition to a financially stressed Britain after the Second World War led to the independence and the birth of a free Nigerian state on October 1, 1960 (Abdulsalami, 2013). The British handed over the leadership of the nation to Sir Abubakar Tafawa Balewa as the Prime Minister and Dr Nnamdi Azikiwe as the President. This first republic was truncated by a military coup in January 1966 and rapidly followed by a counter-coup in the 7th month of the same year. A call for secession over marginalisation and widespread violation of human rights by the Igbo ethnic group after the counter-coup triggered a civil war that lasted for 30 months (Devermont, 2017). That was followed by close to a decade of military rule (Devermont, 2017). In a rising domestic and international call for the return of the democratic government in the country, the second, rather short, a republic was birthed. A government headed by Alhaji Shehu Shagari was elected in 1979 but overthrown by another *coup d'etat* in 1983. It took another three successive military dictators spanning over sixteen years and an annulled election in 1993, and a short-lived interim government of six months before the return of the nation to democratic governance in 1999. The current eighteen-year-old fourth republic is the longest democratic rule since independence (Asogwa, 2018).

A unique federal system of governance, which features weak state and local governments and a strong central government, was established to reduce ethnic divisions across the country (Ali, and Ahmed, 2019). The increased

exploitation of crude oil during this era also conferred on Nigeria a regional and global relevance as a major oil producer in the world. The political freedom gained at independence also ushered in a rising number of political parties struggling for public office (Odo, 2015). The transition into the production and export of crude oil constituted a major shift in sectoral contribution to economic growth; agriculture was displaced by crude oil as leading foreign exchange earner for the country. Also, the Nigerian service sector witnessed impressive gains in its contribution to the Gross Domestic Product. This sector covers several industries such as trade, accommodation and food services, transportation and storage, information and communication, arts, entertainment and recreation as well as financial and insurance institutions among several others (NBS, 2016).

Despite the displacement on the high earners' table by crude oil, the Nigerian agricultural segment remains one of the most resilient and relevant drivers of the nation's economy. The sector has been credited with the most significant factor for the economic recovery from recession by sustaining its positive contribution to the GDP while the other sectors of the economy recorded a streak of negative growth accumulating to a 1.6% contraction of the GDP on year on year basis (United Capital, 2017). The agricultural sector contributed 64% in the 1970s; this figure gradually declined to 48% and continued the plunge such that by 1980, it had further declined to 20% and in 1985, it was contributing just 19% (Ukeji, 2003). Despite this, agriculture still contributed the largest share to the 300% expansion recorded in the Nigerian economy

over the past 35 years. This is only followed by trade (18.8%), manufacturing (9.0%), financials (3.3%) and Oil and Gas (1.4%) (United Capital, 2017).

The Nigerian agricultural sector comprises of crop production, livestock farming, forestry and fishing. The sector employs almost 45% of the Nigerian workforce (NBS, 2016). It presently generates the bulk of the revenue accruing to the government with mining, quarrying and crude oil exploitation as major activities in the sector. The industrial sector has been identified as a major driver of rapid growth and development. The sector, through the re-allocation of resources from low-productivity sectors to higher ones, has the inherent ability to transform an economy. It can achieve this by stimulating a faster pace of development in the direction of attaining convergence with more advanced economies (ADB, 2017b). However, the sector is witnessing a decline in Nigeria with dwindling contributions to the economic output as a result of the economic pressures spill-over due to globalisation and disjointed government policies.

In terms of the level of infrastructure development, Nigeria occupies the 23rd position in the Africa Infrastructure Development Index ranking by the African Development Bank (ADB, 2017b). The estimated value of the nation's total infrastructural stock, which covers the road, rail, power, airports, water, telecoms, and seaports represents just 35% of the total Gross Domestic Product. (MBCP, 2017). African Development Bank (ADB) estimated in 2018 that \$3 trillion invested in infrastructural development over the next 26 years

would close the infrastructural gap in Nigeria. The yearly growth rate recorded in the Gross Domestic Product has shown an average of 5% since the beginning of the millennium. The continual increase in the universal oil prices, stable oil production output, elastic agricultural sector and rising service sector are identified as major contributors to the annual GDP growth which is above the world's average annual GDP growth over the same period (World Bank, 2017b). The gross productivity across all sectors of the Nigerian economy is measured by the Gross Domestic Product. While the size of the Nigerian economy has shown a significant increase over the years, a major driver for the leap in the size of the GDP is attributable to the rebasing of the economic growth in 2014 (Oh, 2017).

Nigeria continually makes its exchange policy attractive for oil and gas FDI because that it is in tandem with the aim of Nigeria to extract the oil at low rates. Generally, \$45 is used for extracting one barrel, but Nigeria reduces it to \$29 per barrel because Nigeria knows that co-ordination of the foreign exchange market is critical to enhancing a sustainable economy (Aliyu, 2009). Since the foreign exchange market is continuously fluctuating, these rates also change with the current rate of dollar to naira exchanges. The implementation of flexible exchange rate policy (that reflects the true value of the domestic currency) is important for effective price discovery and the elimination of the multiplicity of the rate in a market economy (GTB, 2017).

The Central Bank of Nigeria, through its fiscal policy committee, determines the interest rate, which forms the interest rate with which commercial banks can access loans from the Central Bank. This rate is marked up by the inflation rate ($r=i+ \pi$; r = Lending rate; π = Inflation rate), which informs the interest rates charged on commercial and inter-bank loans in Nigeria. The interest rate has always been a moving target. The Central Bank can increase, reduce or maintain the existing interest rate. As at the 3rd quarter of 2019, the prevailing interest rate in the country stood at 13.5%. This level of interest rate is impacting on the high lending rate of commercial loans in Nigeria. As the economy emerges from a period of recession, with very weak growth, Akinlo (2014) believes that the reduction of the interest rate will give the needed expansion to the production sector as investors can access cheaper loans. He says that it will also give the needed boost to consumers' confidence, thereby expanding business opportunities for multi-national corporations in Nigeria.

The oil sector contributed over 90% of Nigeria's foreign exchange earnings (Shell, 2019). This has made the country's foreign exchange reserve to be strongly linked to global oil prices. The period of high foreign reserves coincides with the period of high oil prices as seen in 2007- 2008, before the global financial crisis. The foreign reserves also witnessed another upward trend between 2011 and 2014, before the global decline in oil prices. The increase in global oil prices in 2017 also translated to a sustained increase in the revenue from oil trade and Nigeria's current external reserves. Capital inflows indicated by the volume of Foreign Direct Investment (FDI), Foreign Portfolio

Investment (FPI) and other investments have a significant impact on the macro-economic environment. Investment in the oil sector or (and) oil-related assets still form the bulk of FDI in Nigeria. The efforts at diversification, occasional clear government policies, and general improvement on the ease of doing business in Nigeria have seen other sectors like information and communication technology (ICT), hospitality and tourism, finance, arts and entertainment and agriculture attract a significant volume of investments in recent years.

Nigeria has seen a fast-rising population growth, which is currently estimated at 2.54% per annum, making it the seventh on the global population scale (CIA, 2019). Nigeria's population is estimated at 186 million in 2016 (World Bank, 2017c), while the United Nations' population forecast estimates a total population of 300 million inhabitants by 2050 (UNDESA, 2017). With 2019 unemployment rate at 23.13%, the country has a lot to do with respect to employment generation for the teeming population.

2.3 Nigeria's Foreign Direct Investment policy framework

Foreign investment plays a vital role in economic development and nations require a proper policy to manage a foreign investment. The policy is usually a carefully planned and thought out document which provides the framework for attracting, holding onto and utilising foreign and local investment inflows. The federal government of Nigeria's policy thrust has always been to attract

foreign multinational enterprises to the country. This eagerness to engage foreign direct investors is due to the need for the inflows to bridge the gap in capital availability, management skills and technology. The strategy is also geared towards supporting the competence of local companies and the local workforce towards achieving world standards (Amobi, 2014). Some of the policy frameworks that have been instituted by the federal government to attract FDI into the country include, Nigeria Enterprises Promotion Decree, the National Economic Empowerment and Development Strategy, Nigeria's Vision 20:2020, Economic Recovery and Growth Plan, Nigeria Investment and Promotion Act and the Foreign Exchange (Monitoring and Miscellaneous Provisions). These policy frameworks are discussed in turn in the next section.

2.3.1 Nigeria Enterprises Promotion Decree (NEPD)

The Nigerian Enterprises Promotion Decree (NEPD) was promulgated as a military decree in 1972. As an indigenisation policy, the reform was aimed at increasing the representation of Nigerians in foreign-owned businesses as well as set exclusive business activities for citizens. Tagged as the most restrictive policies to foreign investments, the decree indicated about 22 business activities exclusive to Nigerians and another 33 enterprises in which Nigerians had certain secured privileges. The decree was divided into two schedules. Schedule 1 mandated 100% ownership of the affected enterprises to Nigeria while schedule 2 provided for 40% ownership of a business by Nigerians (Onoh, 2017).

2.3.2 National Economic Empowerment and Development Strategy (NEEDS)

The National Economic Empowerment and Development Strategy (NEEDS) is a national development plan emanating from and buttressing other initiatives like the Vision 2010 document, the Kuru Declaration and the constitution of Nigeria. NEEDS was acclaimed as the nation's plan for prosperity and it aimed at positioning Nigeria as the largest economy in Africa and a notable player in the global economy. The strategy had an estimated cost of \$4.5 billion between 2000 and 2004 of the development plans (NNPC, 2004). Under the NEEDS initiative, the government currently provides support to agriculture, small and medium enterprise and plans to promote entrepreneurship in Nigeria. The policy is still in force alongside other development initiatives in the country. NEEDS is geared towards improving investment in Nigeria, among other things as well as eliminate major bottlenecks which have stifled investments in the country. Among the constraints to investment are the high cost of finance, inadequate physical security, and weak enforcement of contracts.

2.3.3 Nigeria's Vision 20:2020 (NV20: 2020)

The Nigeria Vision 20:2020 (NV20:2020) is a policy document designed to capture the nation's long-term development goal. This policy document, designed in 2010, aims at improving the country's economy to become one of the top twenty (20) economies in the world by 2020. The vision is designed to undergo constant review over intervals of three to four years with the ultimate aim of translating the short-term goal of a higher economic ranking of the

country into a significant increase in the welfare level of the citizenry. The vision was based on three pillars; 1) guaranteeing well-being and productivity, 2) optimising economic growth, and 3) fostering sustainable socio-economic development.

The vision identified the need for an enabling environment for private investment, especially foreign investment, as one of the most important macro-economic strategies and policy thrusts to achieve its goals. In 2010 when the vision was designed, Nigeria ranked 99th on the global competitive index (out of 133 countries) and 125th on the Ease of Doing Business Index (out of 183 countries). This informed the introduction of incentives and institutional reforms to enhance foreign direct investment and global competitiveness of the country. The incentives and institutional reforms include the following:

- 1)The decentralisation of institutions (Immigration Service, Nigeria Police, Corporate Affairs Commission, rail and air transportation management agencies, among others). All these are currently controlled solely by the federal government.
- 2)The reduction in the time required in registering a new business to 48 hours.
- 3)Curbing multiple taxations through the harmonisation of the nation's tax systems and payments channels (Zucman, 2014).

There is a proper framework made for the implementation of Vision 2020, and this may account for recent surges in foreign investment in Nigeria.

2.3.4 Economic Recovery and Growth Plan (ERGP)

In the wake of the worst economic downturn in over 20 years witnessed in 2016, the federal government came up with its Economic Recovery and Growth Plan in the first quarter of 2017. The four-year plan (2017-2020) is targeted at reversing the downward spiral of the economy and enhancing growth across the different sectors of the economy of Nigeria (MBNP, 2017). The plan incorporates three broad strategic objectives; restoring growth, investing in people, and enhancing the global competitiveness of the economy. The policy aims to enlist Nigeria among the top 100 rankings in the global list of ease of doing business index. It also incorporates action meant to boost investment in the non-oil sectors of the economy.

The plan acknowledges the critical role of foreign investment in reducing external balance gap. The plan targets a total estimate of \$10 billion in Foreign Direct Investment by 2020. It highlighted the following key activities to be implemented by the Central Bank and the Ministry of Finance:

- 1) Promoting productivity in real critical sectors (agriculture and manufacturing);
- 2) Enhancing the balance of payments through effective trade policy;
- 3) Increasing non-oil exports proportion of the total exports to 15% by 2020. Nigeria wants to export oil products because it assumes that Nigeria will discover more oil and build refineries; and
- 4) Providing incentives to promote the inflow of FDI (State House, 2018).

2.3.5 Nigerian Investment and Promotion Commission Act

The Nigerian Investment and Promotion Commission (NIPC) Act was established in 1995. The commission is charged with encouraging, promoting, and co-coordinating investment in the Nigerian economy. As the principal investment law in the country, the NIPC Act governs the entry of FDI in Nigeria. Apart from the petroleum sector and industries critical to national security, the NIPC act allows for a 100% foreign ownership of certain businesses in Nigeria (UNCTAD, 2009).

The commission, in the discharge of its constitutional responsibilities, introduced several investment incentives:

- 1)The creation of the One-Stop Investment Centre (OSIC) within the commission to expedite the processing of the relevant permits for business establishments in the country;
- 2)The presence of 17 frontline agencies at the Centre charged with promoting investors' convenience, efficient service delivery as well as process transparency (NIPC, 2010] and
- 3)The provision of regulations on the Pioneer Status Incentive in order to provide policy clarification, consistency, and clarity in the application for pioneer status incentive (NIPC, 2014).

2.3.6 The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act

The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act (FEMMPA), originally Decree No. 17 of 1995, is the comprehensive legislative Act overseeing the foreign exchange transactions in the country. The Act established an Autonomous Foreign Exchange market and dealings in the country. In alignment with the government's aim of encouraging a large assortment of foreign direct investments, it also promotes construction services rather than focus on the oil and gas industry. The Act provides for the monitoring and supervision of the currency market transactions and related activities. The Act aims to reduce currency differential barriers, promote capital repatriation, and further enhance the business environment in the country. The Act provides for the protection of the identity of the source of foreign currency as well as the prevention of loss in the form of seizure and forfeiture of the same (FEMMPA, 1995).

In the case of repatriation of funds, the legislation provides for the repatriation of any foreign currency bought from the market without subjection to any additional approval. The Act also sets permissible standard instruments for market transactions, the appointment of authorised dealers and buyers as wells as permitted market transactions. Nigeria also provided Certificates of Capital Importation (CCIs) to investors according to which they are allowed to import easily without any hurdles after paying the tax. They are allowed to work according to the local companies without any particular restrictions. This

may be the reason why investments by foreigners increased to \$12 billion in 2017, according to the Nigerian's National Bureau of Statistics (2018).

2.3.7 The Investment and Securities Act (2007)

The Investment and Securities Act (ISA 2007) replaces the 1999 legislation that regulates the activities in the Nigerian Capital market. The Act provided for the provision of a set of new market infrastructures and regulations of investments and securities business in the country. The Act primarily covers the procedures for Mergers and Acquisitions (M&A), Take-Overs, and other collective Investment Schemes (ISA, 2007). This law is also the same for foreign investment under which foreigners are responsible for adhering to the Act.

2.4 The Oil and Gas Industry in Nigeria

Nigerian oil and gas was discovered in 1908. Initial search for oil and gas in Nigeria happened during the period of British colonial rule. According to Ufomba (2014), Nigeria had her first oil shipment from Oloibiri, in present-day Bayelsa state in 1958. Interestingly, before this shipment, a second oil field was discovered at Afan. The Shell British Petroleum started the 1958 exportation of crude oil produced from Oloibiri and Afan Oil Field Station. Soon after, yet another discovery of oil and gas was made at the giant Bornu Oil Field with over 0.6 billion barrels of oil. However, it is essential to note the sole dominance of Shell for 17 years. Anochie and Mgbemena (2015) reported that at the initial stage, Shell D'Arcy (later Shell British Petroleum), enjoyed a

monopoly of oil exploration for a considerable long time (1938-1955). After that, Mobil Producing Nigeria Limited obtained a license to explore for oil and began operation in Nigeria in 1955 under the name Mobil Exploration Nigeria Incorporated (later Mobil Producing Nigeria on June 16, 1969). Texaco Overseas started operations in 1961. The following year, 1962, ELF and Agip Oil Company began operations. ELF was initially known as SAFRA.

After 1960, Nigeria made contracts with other foreign countries such as the United Kingdom, United States of America (USA), France, etc. (Otiotio, 2019). In 1961, Texaco went to Nigeria for the oil contracts, and in the very next year 1962, Nigeria Agip Oil Company started operations in the Niger Delta (MRS, 2019). Later on, many oil and gas companies commenced operations in Nigeria (NOCA, 2019). In 1974, the Nigerian government increased equity in Agip Oil Company up to 55% and Nigeria National Petroleum Co-operation (NNPC) was created in 1977 (NNPC, 2019). In the year 2001, there was an establishment of Okono offshore, which was helpful to the Nigerian Oil industry. When the field started production, the Nigerian production capacity was highly boosted.

The history of oil and gas in Nigeria can mostly be told from the standpoint of the Niger Delta. This is because the Niger Delta has been and is the only region in Nigeria where there is oil and gas exploration. The Niger Delta lies in the south-south region of Nigeria and consists mainly of coastal areas and wetlands. It covers a total area of over 70,000 square kilometres and has four distinct ecological zones. It accounts for one of the world's largest wetlands in

Africa and the third-largest mangrove forest in the world (Nwilo and Badejo, 2006). The ecological zones include the coastal ridge barriers; mangroves, freshwater swamp forests, and low land rain forests.

The Niger Delta covers six states in Nigeria; Delta, Edo Bayelsa, Rivers, and Akwa Ibom, Cross River, Imo, Abia and Ondo. These states are in the southern region of the country, and they form the oil-producing states. Akwa Ibom, with a total daily production of 504,000 barrels per day, is the largest oil-producing state in Nigeria. Akwa Ibom, Rivers and Delta states jointly account for 80% of the total oil produced in Nigeria (ORTI, 2013). Currently, oil production and exports account for 85% of the nation's total export revenue and the major source of foreign exchange earnings (NEITI, 2017).

Oil production in the Niger Delta is dominated by the activities of international oil companies (Paul, 2008). Unarguably, the industry continued to experience an increase in the list of oil and gas companies as well as an increase in oil and gas field discoveries, explorations, other operations and exportations. Nwanyanwu, Fred-Nwagwu and Yousuo (2015) said the industry itself spans the drilling, completion, production and work-over, pipelining and marketing operations.

Anochie and Mgbemena (2015) believe that with all the numerous developments, the petroleum sector began to play a vital role in shaping Nigeria's economy and political destiny. There is no gainsaying the fact that oil

and gas explorations, production and exportation have appreciably improved the country's economy over the years. However, in the course of this study, the examination of the effect of the oil and gas industries on the development of the Niger Delta cannot be complete without a critical look at the effect of oil and gas exploration on the social-economic environment of the host communities. Expectedly, oil and gas exploration has had a negative impact on the people of the Niger Delta area. There is ample evidence that the oil and gas companies that function primarily in the industry have considerably re-written the core native roles of rural dwellers and their sources of income (Ukpong and Obok, 2018).

The importance of Foreign Direct Investments (FDI) from the oil and gas industry in Nigeria's socio-economic and environment cannot be over-emphasized. The Federal Government of Nigeria reported in 2013 that the impact of FDI on the oil and gas sector could be viewed from its contribution to the overall economy. Between 1999 and 2010, oil and gas have consistently contributed an average of 36% to the Gross Domestic Product (GDP), 80% of government revenue, 97% of Nigeria total export revenue and 95% of foreign exchange earnings. In 2018, petroleum exports accounted for 13% of the country's GDP (OPEC, 2019), which is a substantial decline from what has been recorded in the past. In the same year, oil revenue as a percentage of total revenue was 58.7% (CBN, 2018). It accounted for 86.5% of Nigeria's total export revenue in 2018 (OPEC, 2019).

Having said all of these, it becomes imperative to expound in totality this study on oil and gas industry in Nigeria with a view to providing information on the impact of FDI from the oil and gas industry in Nigeria's economy with society. The researcher will also dwell on measures that will ensure sustainability and promote best practices aimed at achieving economic vibrancy, healthy environment and wellbeing of all parties involved in oil exploration. The recent development of the Local Content Act has led to increased participation of the indigenous oil companies operating mainly in the marginal fields. Nigeria's National Petroleum Corporation (NNPC) acts as the representative of the Nigerian government while the various oil companies act as the operators of the various oil production concerns.

2.5 Oil and Gas Companies in Nigeria

The Niger Delta produces one of the world's most sought-after quality crude oil by several multinational companies. However, the United Nations Development Programme (UNDP, 2016) stated that more than 60% of Niger Delta indigenes and the people living in this region depend on the natural environment for their livelihood. For more than five decades, the Niger Delta region of Nigeria has hosted oil and gas exploration and production activities, and in most of these years, the country has made billions of dollars monthly. The monies made or part thereof are capable of transforming the region into a highly developed territory. Some of the multinational oil companies that do business in the Niger Delta of Nigeria are described below:

Eni E&P.

The name ENI was initially the abbreviation of Ente Nazionale Idrocarburi, which means National hydrocarbon in Italian. It is presently known as Eni E&P. It started exploration activities in Nigeria in 1962 using a wholly-owned subsidiary, Nigerian Agip Oil Company, with the Nigerian government proposing to support their operation should they discover oil in commercial quantity. The operations of Eni E&P in Nigeria have increased over the years leading to the company setting up other subsidiaries. Some subsidiaries include Agip Energy and Natural Resources Company which was founded in 1980. This company engages in operations in shallow waters offshore. Another important subsidiary of Eni E&P in Nigeria is the Nigerian Agip Exploration carved out in 1996 and which has focused on deep-water operations in the region. The company has a key interest in the Nigerian Liquefied Natural Gas Limited (LNG) where it holds a 10% stake. Eni E&P also has a 17% interest in Brass LNG Limited.

Nigerian Agip Oil Company (NAOC)

NAOC operations are in the in-lands and swamps of the Niger Delta. The company's operations are in Delta, Rivers, Bayelsa and Imo States of the Niger Delta. These operations are mostly in inland swamplands of the Niger Delta. Most of the company's operations are carried out through a joint venture agreement with the NNPC and Oando Nigeria. Their operations span 5,313 square kilometres in total area. The company also has two onshore exploration leases, one with 98% interest in the swamp and another with 48% interest in

the land area. The company has 5% interest in Shell Petroleum Development Company Joint Venture with NNPC at 55% and a host of other interests in other oil companies in Nigeria.

Total Nigeria plc

Total Nigeria Plc was incorporated in 1956 as a private company to market Petroleum products in Nigeria. It is a major marketing and services subsidiary. Total, which is a multinational oil and gas company with investment in more than 130 countries? Total Nigeria has done business in Nigeria for more than 50 years and is considered a leader in the downstream oil operations in the country. The company merged Elf in 2001 to reposition its growth as a major petroleum product marketer in Nigeria.

Shell Nigeria

Shell has been actively involved in the oil industry in Nigeria for over 50 years and has been active in the country since 1937. The company has the most significant operational presence in the oil and gas sector in Nigeria. Its subsidiaries and investments have seen it play at the forefront of onshore, shallow and deep-water oil exploration and production in Nigeria. The company has played leading roles in gas development and served both the domestic and export markets for more than 40 years. Some of Shell's business activities in Nigeria include:

1)The Shell Petroleum Development Company of Nigeria Limited (SPDC). It is principal to the operations of Shell conglomerate in Nigeria, and it is credited

with producing the country's first marketable oil products adjudged suitable for exports in 1958. SPDC handles joint operations which the NNPC is co-owner. Most of SPDC operations are within deep-sea and few shallow water explorations.

2)The company operations Nigeria's initial deep-water crude known as Bonga field.

3)Shell Nigeria Gas (SNG) is the only global oil and gas company to set up a gas supply company to serve industrial buyers in Nigeria. Nigeria Liquefied Natural Gas (NLNG) is a joint venture incorporated in 1989 to produce LNG and natural gas liquids for export, and it is Nigeria's first LNG project. Shell holds 25.6% share in it while NNPC holds 49%; Total, 15%; and ENI, 10.4%. The SPDC JV's assets include about 50 producing oil fields, approximately 5,000 kilometres of oil and gas pipelines and flow lines network, five gas plants and two major oil export terminals at Bonny and Forcados. The company's Bonga oil field increased Nigeria's oil capacity by 10% when it began producing in 2005.

4)The Nigerian Liquefied Natural Gas (NLNG) plant at Bonny Island which is a joint venture with NNPC has six processing units with a total processing capacity of 22 million tonnes a year of LNG (Shell, 2019b). It also has a capacity of 5 million tonnes of natural gas liquids per year (Shell, 2019b). NLNG accounts for approximately 7% of the world's total LNG supply (Shell, 2018). In 2014, Shell-operated ventures in Nigeria produced an average of 739,000 barrels of oil per day. Out of the total, 578,000 barrels per day came from the Shell Petroleum Development Company Joint Venture (SPDC JV). The

remaining 161,000 came from the Shell Nigeria Exploration and Production Company (Shell, 2018). Shell Nigeria Gas (SNG) supplies natural gas to 85 industrial customers, and the SPDC JV is the major supplier of gas to Nigeria LNG. The company's Afam VI gas-powered power plant supplied approximately 18% of the nation's grid-connected electricity in 2014 (Shell, 2018).

Adax Petroleum

Addax Petroleum is a wholly-owned subsidiary of Sinopec International Petroleum Exploration and Production Corporation (SIPC). It is a leading global oil and gas exploration and production company with a strategic focus on Africa, the Middle East and Europe. The company, which was initially part of the Addax & Oryx Group of Companies (AOG), was initiated in 1987 by a group of energy professionals, with expertise in international trade and in-depth knowledge of Africa. In 1994, AOG initiated an expansion initiative aimed at making it a vertically integrated oil company with a focus on the African continent and earning it a strong upstream exploration and production business. Upon the company's establishment in 1994, it discovered oil in Nigeria and went on to establish oil production business in Gabon. The company acquired Pan Ocean Energy in Gabon in 2006 which enabled it to expand its operations within the West African region.

Chevron Nigeria Limited

Chevron started oil operations in Nigeria in 1913 (Chevron, 2019). Prior to this time, Texaco, which merged with Chevron, was marketing petroleum products in Nigeria. American Overseas Petroleum Limited, which was later renamed Texaco, discovered oil at the Koluama offshore oil field in Nigeria in 1963 (Chevron, 2019). It was within that year that Chevron Nigeria started drilling close to the Escravos River, where it found the Okan Field (Chevron, 2018). Most of Chevron's operations are located onshore and close to offshore of the Niger Delta. Chevron has wide-ranging interests in deep-water offshore in Nigeria with one of its major finds, the Agba Field, having the record of being the biggest deep-water offshore discovery in Nigeria to date. The company built a 103,000 modern storage terminal and loading facility in Apapa, Lagos in 1996 to store petroleum products (Chevron, 2019). This facility is projected to hold recoverable volumes of 900 million barrels of crude oil and natural gas liquid. Chevron is involved in many facets of the crude oil and natural gas business in the Niger Delta. Examples of the areas they participate in include exploration and production, marketing and transportation, chemicals manufacturing and sales, geothermal, and power generation (Chevron, 2019). Chevron similarly participates in renewable and advanced technologies. The company is a foremost manufacturer of lubricants, greases, petroleum jelly and plastic containers in the country.

Mobil Producing Nigeria (MPN)

MPN is a subsidiary of Exxon Mobil. The company started operations in Nigeria in 1955 and was initially named Mobil Exploration Nigeria Incorporated (Exxon Mobil, 2019a). The company's operations are located offshore. It owns 90 platforms covering an area of 3,200 square kilometres (Exxon Mobil, 2019b). After SPDC, MPN is the second biggest producer of crude oil in Nigeria. Recently, Exxon Mobil, through its subsidiary, MPN, deployed Erha field offshore in collaboration with Nigerian National Petroleum Corporation. Like other oil and gas companies in Nigeria, MPN has a joint venture operating agreement with NNPC. In the joint venture agreement, NNPC has a 60% stake while MPN has the remaining 40%. Since it was granted oil prospecting licence offshore in present Akwa Ibom state in 1961, the company has been active in the country's oil industry (Exxon Mobile, 2019a). The company, in its joint venture with the NNPC, operates over 90 offshore platforms. The company's operations cover over 300 oil wells with the capacity to produce over 550,000 barrels of crude oil in a day, including condensate and liquified natural gas (Exxon Mobil 2019, 2019a).

The above history of the oil and gas industry in Nigeria will enable readers to understand some of the major players. The description of their operations in Nigeria is important to this study because it will enable readers to appreciate the level of investments in the industry in Nigeria. By understanding the content of the industry and the scale of operations within it, readers will be in a better position to put the research aim in context.

2.6 Summary

Nigeria has the largest population and economy in the whole of Africa. Hence the country is expected to play a leading role in respect to economic advancement in the continent. Although the country earns income from diverse sources, revenue from the oil and gas industry forms the bulk of its revenues. The Nigerian Enterprises Promotion Decree of 1972 gave investment opportunities to Nigerians, but the decree negatively affected the structure of foreign investment inflows into the country. Large investments in the oil and gas industry were made by foreign investors at the expense of other equally important sectors of the economy. On the repeal of the decree, a wide array of policies have been implemented by the federal government of Nigeria both in the past and present to ensure diversity of foreign capital inflows.

Since the detection of oil in Nigeria by Royal Dutch Shell, oil companies from a cross-section of the world have been involved in the exploration, production and marketing of petroleum products in Nigeria. The basic assumption is that the presence of the oil and gas multinationals in the Niger Delta will lead to accelerated development in the region and hence in the country. However, despite the presence of oil and gas MNCs in the region, it still suffers from high unemployment, deficiency in infrastructure, low standard of living and a high level of environmental degradation.

CHAPTER THREE

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH: A CONCEPTUAL REVIEW

3.1 Introduction

The central focus of this study is the examination of the impact of resource-seeking foreign direct investment (RS-FDI) on the growth and development of the Niger Delta region of Nigeria. Eventually, the study aims to determine the relationship between RS-FDI and the GDP growth of Nigeria. Previous studies have confirmed that RSFDI (especially in the oil and gas sector) is the dominant form of FDI inflows into developing countries (Cleeve, Debrah and Yiheyis, 2015). Therefore, this chapter provides an explanation of the concept of FDI, its sources, various categories and determinants of FDI flows. It also provides a conceptual analysis of economic growth. The chapter concludes by exploring the relationship between FDI and employment, infrastructure and economic growth.

3.2 Foreign Direct Investment (FDI)

Different authors have defined foreign Direct Investment (FDI). For example, Patterson *et al.* (2004), describe FDI as a direct investment relationship established when the investor(s) has acquired 10% or more of the ordinary shares and associated voting rights in a foreign-based enterprise. The Organization of Economic Cooperation and Development-OECD-(2008),

describes FDI as a lasting and strategic involvement of an investor based in one economy in another economy based abroad. In other words, FDI is defined as the strategic involvement of a home-based investor in a foreign-based enterprise, evidenced by the investment of a minimum of 10% of the equity. The OECD's definition implies a long-term investment strategy outside the home country of the investor and to have physical structures on the ground such as production facilities, capital goods and inventories.

A distinguishing feature of FDI is that it has absolute management control in a foreign enterprise acquired and significant influence over the assets purchased (Bjorvatn, 2008). The OECD's definition of FDI is adopted for this study. The adoption of this definition stems from the encompassing nature of the definition. To comprehend the broad approach to the OECD definition, a look at the word, 'lasting' and the phrase, 'strategic involvement' will be helpful. First, the foreign investor has the intention to commit to the host country over the long term and to operate a business. Secondly, the definition assumes that foreign investors are always strategic in their involvement with the home country and are engaged in vital participation in the sense that they do choose a specific sector of the economy to commit their capital (Ali and Malik, 2017).

While FDI has both inward and outward components, it is the inward aspect that most countries seek to attract. Inward FDI is determined by many factors, including the availability of natural resources, viable markets, strategic assets and efficiencies in the host country. Inward FDI is also influenced by the

political environment, economic condition, human capital, etc. Measuring FDI is critical so that countries seeking FDI can properly understand the direction of flows and make policies of optimising each type of inflow. Understanding the benefits and shortcomings of FDI will enable host countries to implement policies that will enable them to minimise the negatives and maximise the positives for their countries to reap the full benefits of FDI (Wacker, 2016; Ajide and Osode, 2017).

In many developing countries of Africa, FDI constitutes a core aspect of economic development strategy (Ayanwale, 2007) due to a strong linkage between an increase in FDI and high economic growth and strong corporate performance in many parts of the world (UNCTAD, 2007; Adams, 2009). Some African countries like Nigeria have, therefore, introduced new measures to attract FDI inflows, such as creating a favourable business environment for foreign investors (UNCTAD, 2007). FDI can impact positively on a host country's economy when there is diversification, absorptive capacity, liberalised markets, educated workforce and infrastructure (Adams, 2009; Carkovic and Levine, 2002; Le Vu and Suruga, 2005). It is a way of stabilising the economy of developing countries even as these translate to a comfortable and enabling environment for FDI by the host country.

Across the world, the European region accounts for the most significant sources of FDI, with 85% of global FDI, amounting to US\$576 billion (UNCTAD, 2016). The dominant countries of origin for FDI in Europe are Germany, the

United Kingdom (UK) and the Netherlands. North America, with a combined outflow of US\$367 billion, is also a vital source of FDI followed by the Asia-Pacific region whose outflow stood at US\$129 billion (UNCTAD, 2016). About 20% of Nigeria's FDI comes from the UK, while other significant contributing countries are Brazil, Italy, France, the Netherlands and South Africa (Inekwe, 2014). The dominant countries of origin for FDI in Asia include the People's Republic of China, Hong Kong and Singapore (Hattari and Rajan, 2009) with China's FDI in Nigeria worth about US\$6 billion (Inekwe, 2014).

In terms of investment destinations, some drivers have been identified, such as low-cost markets for labour and input materials as investors understandably seek ways of ensuring a higher return on investment. For instance, India has labour costs five times lower than the Baltic States (Tvaronaviciene, Grybaite and Korsakiene, 2008). This also aligned with the findings of Khachoo and Khan (2012) that low cost of labour and low transaction costs are motivations for FDI flows to emerging economies which also benefit from the transfer of skills and technological capabilities. The motivation for FDI flow reported is the availability of considerable markets in destination economies which provide continuous demand for goods, thus allowing economies of scale in production operations in the host countries (Anuchitworawong and Thampanishvong, 2015). Many organisations propose additional FDI flows following a successful export activity in a foreign country thus making direct investments a natural progression to consolidate and sustain market share in the long-term (Paola,

Andre and Maurizio, 2010). In the next section, various approaches and dimensions to classifying FDI are described.

3.2.1 Classifications of FDI

FDI can be classified based on different dimensions such as the level of integration in the host economy, the direction of investment flows and the nature of motivations driving the FDI.

3.2.1.1 Level of integration dimension

Two dimensions, namely vertical and horizontal FDI, have been identified based on the level of integration of FDI in the host country (Kneller and Pisu, 2007). A horizontal FDI occurs where a direct investor offers the same product or service in different countries usually through a local subsidiary in a host country operating in a similar industrial sector as the foreign investor (Aizenman and Marion, 2004). Horizontal FDI is often driven by the desire to eliminate the cost of trading internationally by multi-national enterprises (Ekholm, Forslid and Markusen, 2003; Yeaple, 2003). Similarly, Fajgelbaum, Grossman and Helpman (2014) stated that a parent company in the home country and its subsidiary in the host country represent a horizontal FDI when they have the same product in both countries. An example is when Toyota, with Japan as its home country, builds assembly plants in Nigeria, Dubai and the UK, and the products remain the same in all the subsidiaries.

Vertical FDI occurs when a foreign investor invests in a different line of business in the host country from its originally delineated industry in its home

economy (Aizenman and Marion, 2004). Two variants of vertical FDI have been identified, namely forward vertical FDI and backward vertical FDI. In the forward vertical FDI, the investor acquires facilities closer to its end customers to generate a value which helps to expand its market share. This leads to a situation where a company at the initial stage of the supply chain controls other stages longer in the chain (Guan and Rehme, 2012). An example of this is where a company that is engaged in the mining of iron also controls downstream operations of the supply chain for steel.

In the backward vertical FDI, the investor acquires producers of raw materials to have more direct control of its sources of inputs and to minimise the cost of operations. Backward vertical FDI may also be a source of risk mitigation strategy by which investors diversify their investment portfolio in the host country (Aizenman and Marion, 2004). Backward vertical FDI happens when the foreign investor that is engaged in, for example, manufacturing operations decides to handle the upstream suppliers for its raw materials (Karantininis, Sauer and Furtan, 2010). In this, the company will have to also invest in companies that will serve as a source for its raw material inputs. Therefore, vertical FDI integration arises from the multinational enterprises' desire to exploit disparities in input prices across its geographical regions of operations (Yeaple, 2003). The choice of investment locations by multinational enterprises (MNEs) is often predicated on operational cost efficiencies as they pursue vertical FDI (Ekholm, Forslid and Markusen, 2003). For instance, Toyota is also

taking part in acquiring tyre manufacturing concerns, even as it already gets distributorship of cars in America.

3.2.1.2 Direction of investment flows.

FDI has also been classified according to motives or drivers of investment opportunities in foreign countries (Dunning, 2000). They are classified as Market-seeking; resource-seeking; efficiency-seeking, and strategic asset-seeking FDI.

1. Market-Seeking FDI (MS-FDI)

FDI inflow to a foreign country is often driven by the availability of large markets in the destination country. The location of the industry close to the markets is often the beginning of the move towards increasing investment in a foreign economy (Gonchar and Philipp, 2013). For instance, Honda Motor Corp. of Japan, in its search for closeness to its massive markets like Nigeria, set up an assembly plant in Lagos, Abuja and Port-Harcourt to achieve rapid market penetration in Nigeria and regional markets with economic potentials (Wadhwa and Reddy, 2011). Market-seeking FDI (MS-FDI) also provides the additional advantage of minimising the cost of production and logistics costs due to its closeness to the end customers (Kinoshita and Campos, 2003). Other advantages of MS-FDI include the shorter route to the market, convenience of local production and minimising the impact of foreign exchange fluctuations, especially where local sourcing of input or raw materials have been assured (Wadhwa and Reddy, 2011). Locating an industry closer to raw materials helps

to manage foreign exchange fluctuations. This reduces production operations cost in the foreign market and increases the firm's profitability (Kinoshita and Campos, 2003). As organisations pursue a growth strategy in new markets, efforts are made to localise production around where the abundant natural resources are located and to deploy a risk mitigation strategy to cushion the impact of foreign exchange volatility. Investors targeting viable market are after more of vertical foreign direct investment. For example, Toyota introduces its tyres, which would help to improve its quality rather than using imported tyres (Alfaro and Charlton, 2009).

2. Resource-Seeking FDI (RS-FDI)

Resource seeking foreign direct investment (RS-FDI) considers the location where the costs of doing business or production costs are cheaper. Thus, factors such as the cost, quality of labour force and the level of development of infrastructure are very important factors that drive RS-FDI (Inekwe, 2014). Availability of natural and human resources is another motive for organisations pursuing FDI in a foreign country. According to Dunning (2000), some examples of resources sought by investors include agricultural produce, unskilled labour and oil and gas resources. The availability of natural resources tends to attract and sustain FDI inflows into a country or region. For example, in Nigeria, oil and gas resources production and exportation account for 67% of the nation's total revenue inflow; this is evidence of RSFDI reported by Nigeria Extractive Industries Transparency Initiatives (NEITI, 2017). Firms

invest in a foreign country to secure access to natural resources, gain locational advantages and access potential huge markets (Gonchar and Philipp, 2013).

Akhtaruzzaman, Berg and Lien (2017) argue that the growing interest of China in emerging economies in Africa is due to the availability of natural resources in the region. MNEs' investment is often driven by the availability of natural resources and a desire to out-perform local competitors through the deployment of cutting-edge technology (Gonchar and Philipp, 2013). However, it has been argued that resource-seeking FDI is not the best route to liberalising the economy to the global market (Kinoshita and Campos, 2003) because low wages for labour attracts many FDIs and flexibility in trade policies by government loosen restrictions of the economy to a global market.

Investors seeking resource advantage such as agricultural raw materials and inputs to drive down the cost of production is another example of resource-seeking FDI. In many instances, the host country often lacks the technological capacity to support local production of finished products; thus, the emergence of investors bearing FDI (Gonchar and Philipp, 2013). Inekwe (2013) also cited low human capital development, unfavourable regulatory environment, a high degree of uncertainty and high dependence on primary commodities exports as some of the FDI constraints. Other constraints to FDI flows in Africa are poor governance, corruption and poor image abroad (Anyanwu, 2006). However, despite these constraints to FDI flow, many investors are still attracted by the high rate of return on investments especially in Nigeria which

account for the highest FDI flow in Africa (Inekwe, 2013; Ogunkola and Jerome, 2006).

3. Efficiency-Seeking FDI (ES-FDI)

In the last few years, the ease of capital movements globally has opened up opportunities for investors to seek new territories where efficiency in production could be leveraged (Hanemann and Huotari, 2015). Some firms invest in new territories to drive down operational costs and thus increase their competitiveness and profitability. Operational costs can be reduced through proximity and cost-effective transport choices as well as the removal of operations and trade barriers in the host economies (Wadhwa and Reddy, 2011). Some organisations are motivated by opportunities to diversify their global operations, exploit differences in operating and input factor costs (Nachum and Zaheer, 2005) while others are motivated by the desire to take advantage of efficiencies locked in a market (Kudina and Jakubiak, 2008).

In most instances, firms seeking efficiency gains tend to invest in economies with readily available infrastructure and technological skills (Bellak, Leibrecht and Riedl, 2008). However, some investors seek cost efficiency through low labour costs, while others leverage both economic and operational efficiencies to drive their international competitiveness (Danja, 2012; Yue, Yang and Hu, 2016). Efficiency-seeking FDI is evidenced by investment in economies with low-cost production, low tax burden, cheap labour cost and minimal regulation (OECD, 2002; 2017). The availability of these supportive incentives allows

companies to produce their goods or services at relatively cheaper rates, thus enabling them to export to the international market at competitive rates.

4. Strategic Asset-Seeking FDI (SAS-FDI)

Investors are attracted to economies with strategic assets such as highly-qualified and specialised workforce and a strong brand in a host market (Ogunkola and Jerome, 2006). Srinivasan (2011) argued that a higher level of education, especially technical skills, can impact positively on FDI due to its high demand in technically-oriented industries rather than labour-intensive industries. This has led to many countries focusing on developing the technical knowledge base and investing in skills acquisition (Okafor, Piesse Webster, 2017). For example, in some Asia-Pacific countries, intensive investment in education and training contributed to the pool of available qualified staff, which helped to increase investment flow in the region (Addison and Heshmati, 2003).

Proximity to sources of raw materials is a strategic asset because it reduces the risk of resource scarcity in a foreign country especially when there is a scarcity of same in the home country (Dierk, 2011; Lipsey, 2010). Investors, therefore, seek strategic assets to invest in manufacturing facility close to the source of its strategic raw materials in host economies (Deng, 2009). This aligns with the views of Alessia, Roberta and Marco (2011), who observe that FDI is driven by the abundance of strategic assets as well as good distribution infrastructure and network because it facilitates the movement of input

materials and finished goods. Meyer (2015) also argues that strategic asset seeking FDI often contains elements of other types of FDI, such as resource seeking FDI. A viable enterprise with a strong local brand which facilitates access to the local market is a strategic asset (Cui, Meyer and Hu, 2014; Meyer, 2015; Dunning, 2015a). A strong capacity for research and development and associated facilities and experience is a source of attraction to a strategic asset-seeking investor (Dunning, 2015a).

3.2.1.3 FDI based on the direction of investment

Typically, FDI flows from mature to emerging economies, but a reverse trend was also observed with direct investment of companies from developing and emerging to developed economies (UNCTAD, 2010). Thus, based on the direction of investment, FDI can be classified as inward or outward depending on the route of the foreign direct investment between the host country and originating country.

1. Inward FDI

Inward FDI is an aggregated value of stock made up of equity and loans to companies from an originating country based abroad to a host country (OECD, 2017). Inward FDI is in high demand across the globe as a catalyst for economic development, especially in developing economies (Siddiqui, 2014). Foreign investors seek attractive locations with potentials for a high return on investment while host countries also believe the FDI inflow will help improve the performance of the domestic economy (Buckley, Clegg and Wang, 2002).

In terms of the nature of FDI inflows, the dominant sectors for investment in the African economies include extractive industries, agriculture and construction (World Bank, 2014).

Many host governments create an enabling environment through supportive economic policies and removing operational bottlenecks to allow investments to thrive (Buckley, Clegg and Wang, 2002). Some studies have examined how inward FDI on host economies allow local industries to flourish through the creation of production efficiency and technology transfer (Caves, 1999; Lipsey and Sjöholm, 2005; Buckley and Wang, 2007). Inward FDI allows for cost-effective allocation of resources leading to an optimum return on investment (He, Zhang and Shek, 2007). In contrast, Buckley and Wang (2007) argue that the impact of inward FDI on the domestic economy might not be felt in the short term on the growth of the local economy due to the time required to achieve meaningful change in the host economy.

2. Outward FDI

Outward FDI is a business initiative whereby a domestic company chooses to increase its business investment by establishing a business in a foreign country (Xia, Ma, Lu and Yiu, 2014). It is an accumulated value of equity and net loans of the resident investor to enterprises in foreign economies (OECD, 2017). Therefore, outward foreign direct investment occurs when investors leave the shores of their home country to invest in other countries. In the quest for internationalisation, companies from emerging and developed economies

continue to show growing interests in investing in developing economies (Stoian and Mohr, 2016; Luo, Xue and Han, 2009). The predominant source of outward FDI was known to be from the advanced economies, but the recent trend indicates that emerging markets are increasingly engaging in outward FDI (Luo, Xue and Han, 2009; Wang et al., 2012). According to Wu and Chen (2014), it would be helpful to make expansion on emerging firms in host countries than to improve the ventures in the home country.

The share of an emerging market for outward FDI has been on the increase in recent times. The outward foreign investment from emerging economies increased by 47% from 2000 – 2007 (Pradhan, 2011). At the same time, the share of developed economies for outward FDI has declined from 66% to 22% within the same period (Pradhan, 2011). Outward FDI stock from developing countries stood at 21.1% of the gross FDI stock as in 2015, outward FDI from developing countries stood at 9.9% (UNCTAD, 2016). Country-wise, as of 2015, the US and Japan were the first and second highest source of outward FDI, respectively (UNCTAD, 2016). China has increased its position as an important source of outward FDI, with a share of 8.9% of the total global outflows (UNCTAD, 2016).

3.2.2 Determinants of FDI

Determinants are factors that influence the direction of flow of FDI (Desbordes and Wei, 2017). Critical determinants of FDI include income level, restrictions on outward and inward FDI, differences in factor endowments and

institutional quality (Navaretti and Venables, 2005; Blonigen, 2005). Many factors have been identified by researchers as determinants of FDI flows, and these show a link between macro-economic factors and FDI flows (Anuchitworawong and Thampanishvong, 2015; Bengoa and Sanchez-robles, 2003; Yohanna, 2013). Some of these factors include the rule of law, strong financial legislation and legal structures, and political climate and stability. In the United States, for example, the main determinants of FDI flows have been identified as large consumer market with high purchasing power, highly developed infrastructure, business-friendly policies, technological advancements and a highly culturally-diversified customer mix (Khachoo and Khan, 2012). Determinants of FDI could be viewed from the perspectives of inward FDI and outward FDI as explained below.

3.2.2.1 Determinants of Inward FDI

According to Chen, Rau and Lin (2006), a weak currency value in a host economy has been identified as a strong determinant of inward FDI flows. This is attributed to the lower cost of asset purchase in the host country, which represents a strong attraction to investors. Foreign investors are less attracted to economies with high inflation rates and price instability (Azam, 2010) due to a reduction in return on investment, high uncertainty and the inability of the host government to implement sound macro-economic policies which are supportive of businesses (Okafor, Piesse and Webster, 2017). To attract more investors into Nigeria, devaluation of her currency become necessary (Imoughele, 201). Devaluation attracts investors into other sectors such as

service sectors like transport and communication, construction, manufacturing, trading, as well as the agricultural and mining sectors (Agosin and Machado, 2005). Other determinants of inward FDI are ease of operations, liberalised economic policies, tax incentives and subsidies (Okafor, Piesse and Webster, 2017). Countries with higher levels of trade openness and attractive business climate are preferred choices for FDI flows (Srinivasan, 2011; Owusu-Antwi, 2012).

A stable political climate is also very crucial to attracting inward FDI flows, and many authors argue that countries with democratically elected governments attract more FDI inflows than those with the highly volatile political environment (Wisniewski and Pathan, 2014). Prevalence of corruption in host countries creates a massive barrier to investment (Okafor, Piesse and Webster, 2017). Many countries in Sub-Saharan Africa and North Africa report low levels of FDI inflows (about 2% and 5% respectively) compared to the rest of the world (World Bank, 2015a). The reasons for these low levels of FDI inflows are weak governance, corruption, political instability and poor-quality infrastructure (Kandiero and Chitiga, 2006; Ade, Babatunde and Awoniyi, 2011). Investors consider the corruption index in the host economy. This corruption index affects FDI flows (Godinez and Liu, 2015).

Flexibility in trade policies has been identified as having an attractive pull for investors because it allows trading of goods with minimal restrictions and difficulty, thus allowing both domestic and international investors a level

playing ground for competition and market-driven growth (Mina, 2007). In response, many African countries, including Nigeria, have over the years, introduced more open trade policies and created conducive business environments to attract FDI inflows (AbuAl-Foul and Soliman, 2008). Other determinants of inward FDI flows are export/import ratio relative to GDP, effective currency exchange rate, and the contribution of secondary and tertiary sectors to GDP growth (Boateng, Hua and Wu, 2015). Moreover, Kahouli and Maktouf (2015), stated that higher tertiary education rate, internet availability, low inflation rate and positive per capita income relative to GDP are enablers of inward FDI inflow into a host economy.

3.2.2.2 Determinants of Outward FDI

Determinants of outward FDI include economic factors, level of export and political risk from a host country to the home country of investors (Cheung and Quian, 2009). A high level of political risk in a home economy also drives outward FDI flows to a politically stable environment because uncertainty in government policies creates a negative working environment (Azam, 2010). Economic factors such as higher GDP of the home country compared to the host country are also a good motivation for outward FDI flows (Khachoo and Khan, 2012). According to Hattari and Rajan (2008), a higher prevailing tax rate in the home country relative to host economy serves as a good motivation for outward FDI because it provides a tax haven for investors, thus maximising average return on investment.

The level of financial openness and inclusiveness, as well as market capitalisation, serve as a good incentive for outward FDI flows to the host economy. Often this is facilitated through a free trade agreement between the host and the home country of the investor. In support of this view, Lio and Wang (2012), agreed that investment climate, as evidenced by the level of innovativeness, research and development, acts as an impetus for FDI outflow to host countries. Countries, especially in emerging markets, often incentivise their local firms to pursue international investments. Again, emerging market firms sometimes face conditions within their home market environment that are not favourable to them, such unfavourable situations in home countries makes them seek international opportunities (Gaur, Ma and Ding, 2018).

3.2.3 Measurements of FDI

Globalisation, as evidenced by FDI, has become a key driver of international economic integration due to technological innovations, cheaper communications and deregulated markets (OECD, 2008). It is, therefore, necessary to measure the changing trends in FDI from cross-border capital movements and also assess its impact on the economy (Inekwe, 2014). To assess the level of FDI flow and its effect on the economy, it is important to understand how to measure and evaluate FDI using statistical systems (OECD, 2008). IMF and OECD developed the Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI) as measures for determining the level of FDI flows (IMF, 2001). The particulars of the statistical measures are explained below.

3.2.3.1 Inter-company Loans and Financial Leases

Direct investment in a host country can also be carried out through the granting of inter-company loans and commercial facilities (which are recorded as payables, receivables, loans and debt securities). Often, these loans have favourable interest rates and easier repayments terms than open market sourcing for the fund from banks. These loans, therefore, serve as a reliable source of long-term capital for local enterprises (OECD, 2008). For example, between 2005 and 2008, in countries like Canada, France and Australia, 50% of the FDI inflows occurred through inter-company loans (OECD, 2010). Also, according to IMF (2003a), 61 countries included inter-company loans as part of FDI measures, while 34 countries incorporated commercial leases.

Other forms of financial activities involve financing of equipment on behalf of the local enterprises with conditions that legal equipment owner is the foreign affiliates until the local firm completes its repayment obligations (IMF, 2003a). Wacker (2016) reported that FDI stocks represent an aggregation of past flows, while flows are the current transactions within a certain period, usually within a year. Thus, flow data is a summation of transactions that occurred within a short period.

3.2.3.2 Real estate owned by non-residents

Real estate acquisition is a veritable means of investment in a foreign country. According to Lane (2015), a real estate owned by a foreign investor is part of the investor's stock of FDI. This is because real estate is an asset, especially

when used in productive activity or as a source of residual income or hedge against inflation. Forty-eight countries have reported real estate acquisition by a foreign-based entity as a measure of FDI inflow while 47 also included it as a form of outward FDI statistics (IMF, 2003b). Fereidouni and Al-mulali (2014), reported that to attract FDI in the form of real estate, the host country should make appropriate policies to provide information about existing property investment opportunities.

3.2.3.3 Special Purpose Entities (SPE)

According to the global accounting firm PricewaterhouseCoopers (PwC), a Special Purpose Entity (SPE) is a legal entity created by the sponsor as an off-balance sheet vehicle to achieve a temporary object which may include FDI (PwC, 2011). SPE is a financial risk management mechanism where risks are disaggregated and allocated to investors who are willing to accommodate and manage such risks. In terms of FDI, this allows investors to access investment opportunities that are otherwise not accessible and generate new income streams for the sponsoring firms (OECD, 2008).

SPEs are usually created out of an existing project or investment to achieve a unique business outcome. The adoption of SPE while engaging in FDI in the host country reduces the risk impact on the business. Soroosh and Ciesielski (2004) argue that the SPE application, with stringent oversight and monitoring, constitute a legal way to reduce financial risks for investors. SPEs' benefits include risk sharing, mobilisation of required capital, securitisation facilitation

and support (PwC, 2011). More interests of SPEs include ease of asset transfer, tax reductions, reduction of bureaucratic bottlenecks and legal protection (PwC, 2011). Despite these benefits, some risks have been identified, such as reputational risk, lack of transparency, funding risk and equity risk. Based on the reported risks in the Enron and Lehman Brothers collapse case, stronger governance and oversight and transparent reporting should be requirements for securing investment under the SPE mechanism (PwC, 2011).

3.2.3.4 Offshore enterprises

According to OECD (2007), offshore enterprises are those foreign enterprises whose residencies are attributed to the country where they are located without recourse to any preferential treatment, and they may be entitled to local government's tax exemptions. The IMF (2001) Survey of implementation of methodological standards for direct investment (SIMSDI) data indicated that activities of foreign enterprises are included as a measure of outward FDI. The underlying concern of offshore enterprises is to provide a solution for the hurdles confronting the business. According to Sauvart (2017), offshore financial locations are attractive to foreign investors that want to adopt FDI strategy, and huge quantities of FDIs are undertaken through this channel. According to Sauvart (2017), 50% to 80% of outward FDI from BRICS countries are passed through offshore enterprises. BRICS countries include Brazil, Russia, India, China and South Africa.

3.2.4 Benefits of FDI

The capacity of FDI to generate employment can be observed as increased production capacity in the economy (Brincikova and Darmo, 2014). The inflow of capital into host economies as a result of FDI increases the demand for labour, hence the reduction in unemployment levels (Hale and Xu, 2016).

The large presence of FDI equally results to increase in wages because of the increase in the demand for labour (Hale and Xu, 2016). FDI has also been reported to contribute to improvement in trade, staff and firm-level productivity (Banerji, 2014). According to Brincikova and Darmo (2014), FDI brings about an expansion in aggregate demand and supply, which serves as incentives for local businesses to expand their production and be more profitable in the long run.

The inflow of FDI has also been reported to increase a host country's national income, drive productivity and increase export earnings (Gorg and Greenaway, 2003). However, there should be a delay in the repatriation of accrued profits and export earnings to ensure a sustained impact on the host economy. Other benefits of FDI include the transfer of skills and technological innovation, which contributes to the human capital development of the host country (Gorg and Greenaway, 2003). Aside from capital, most foreign investors come into host countries with new knowledge, skills and technologies that benefit the host countries (Perri and Peruffo, 2016).

3.2.5 Shortcomings of FDI

Despite the benefits of FDI inflows, some studies have identified some shortcomings. For example, Jude (2014) argued that FDI reduces the number of domestic investments due to "crowding out" effect of FDI. According to Agosin and Machado (2005), this may be due to non-realisation of the expected benefits of FDI. Also, the concentration of FDI in one sector with the exclusion of another sector could lead to "industry dependency effect", leaving the country vulnerable to shocks (Gokmenoglu, Bekun and Taspinar, 2016). This effect is observed in Nigeria, where the concentration of investment in the oil and gas sector leads to depletion of investment in manufacturing and service sectors, leaving the country vulnerable to shocks. The impact of the decline in global demand for oil led to a slide of the global economy into recession (Dickson and Ezirim, 2017).

Just as in other forms of investment, one of the drawbacks of FDI is the risk that is inherent in it. In committing to FDI, a firm has no guarantee that its investment will yield a positive result. The political environment in many countries is highly unpredictable; firms could lose their investment if an unstable government decides to implement policies that are disadvantageous to FDI or their line of business. A negative political environment could also lead to the loss of foreign investment because of business seizure. Making a foreign investment in a country where the value of the destination country's currency is higher than that of the home country, leads to a higher cost of investment. The home country of a foreign investment stands disadvantaged

because the fund that is leaving the country could have been invested in the home country and have a positive effect in the country both in terms of GDP growth and job creation.

There is no doubt that FDI fosters the economic growth of countries. A host country needs to evaluate its circumstances to determine the most suitable FDI strategy to accord priority to ensure that it reaps the positive benefits of FDI. Appropriate measurement of FDI will help countries to understand the scale of FDI inflows, hence able to gauge the effect of these FDI in their economies. Understanding what drives FDI inflows will help host countries to implement the right policies that will ensure that the right FDI are attracted to their countries. At the same time, to avoid the pitfalls of FDI, host countries are expected to evaluate the intentions of foreign investors before they are allowed to come into their country.

3.3 Economic Growth

Economic growth has also sometimes led to unprecedented levels of economic inequality, especially amongst the developing countries (Muinelo-Gallo and Roca-Sagales, 2011). According to Khachoo and Khan (2012), another predominant challenge in developing economies is the lack of sufficient internal savings to catalyse economic growth and support investment needs. However, it is also argued that economic growth translates to the wealth of nations, which is good for the economy (Pogge, 2008). The challenges are often

unequal wealth distribution among the populace in developing countries rather than wealth creation at a national level.

According to Allen (2017), economic growth can be defined as the measure of the value of finished goods and services produced by a country based on the value of Gross Domestic Product (GDP). The GDP is a measure of the level of income generated by an economy at a specific time. However, it has been argued that GDP measuring often ignores two critical elements of economic growth, namely inadequate human development and some institutional structures within the economy (Sengupta, 2011). In determining the real value of GDP, all goods and services produced in the economy should be captured, including the government's spending on infrastructure and other social services (Allen, 2017). Economic growth, as measured by GDP, serves as an indication of whether an economy is growing, declining or stagnant. GDP measurement also helps to predict the trajectory of economic growth in the future. According to Haller (2012), economic growth is attained when the annual growth rate of the economy's GDP outpaces the population growth within a country. If the annual economic GDP rate is equal to the population growth, stagnation results. A decline in economic growth is recorded when the annual population growth rate is higher than that of GDP growth.

Moreover, the concept of economic growth is defined as the difference between the annual natural logarithm of real GDP per capita of a current year and the natural logarithm of real GDP of a preceding year (Smaouli and Nechi, 2017;

Ruiz-Vargara, 2017). Economic growth is typically measured as GDP per capita after taking into consideration the inflation factor, and this involves the measurement of a country's average income (Van den Bergh, 2009). However, it has been observed that GNP (Gross National Product) is a better alternative because it gives an actual income that accrues to a country over time. GDP calculates the total real value of goods and services produced in a country at a point in time not recognising that some income does not belong to the country irrespective of the fact that they were produced there. GDP includes the income of foreigners in the country, and it excludes the income of its citizens living abroad.

According to Pogge (2008), when growth concern has to do with poverty and the need to achieve higher economic status for citizens, especially in developing countries, GNP serves as a better specific measure. In measuring economic growth, GNP considers the contribution of a country's citizens and businesses domiciled outside the country and excludes the contribution of foreign individuals and businesses domiciled in the local economy. According to Pogge (2008), even though the inadequacy of GDP, as a measure of welfare by a large number of economists and policymakers is known, it is still used time and time again. While GDP and GNP are equally regarded as very important measures of a country's economic status (Brezina, 2011), the focus of developing countries is to ensure that the relative welfare of their citizens is enhanced, GNP appears to be more effective in gauging the relative welfare of each citizen (Costanza et al., 2009).

In order to determine the positivity of economic growth, two identifiers, namely potential and actual growth, are described by Haller (2012). The first is the potential for an economy that experiences positive growth in its production, also known as long-term growth. The second is the actual growth which an economy experiences due to an increase in the supply of inputs. The degree of this increase is determined by the quality of the input factors. Therefore, to measure effective economic growth, an economy's real GDP is required (Haller, 2012). Moreover, economic growth has been advocated as a veritable means to achieve poverty reduction in countries (Haller, 2012). Recent studies indicate that economic growth has a positive effect on poverty reduction, especially in developing countries and that average income growth has been the driving force behind poverty reduction around the globe (Fosu, 2017).

Cole (2017) argues that the blind pursuit of economic growth without consideration of its potential disadvantages could generate unpredictable consequences for the general populace and the environment. Avoidance of unforeseen consequences can be accomplished through social, sustainability and environmental elements in the calculation of economic growth (Stiglitz, Sen and Fitoussi, 2010).

3.3.1 Sustainability dimensions of economic growth

Sustainability dimension of economic growth refers to growth that happens devoid of negative consequences. This study looks at both the social and

environmental dimensions of sustainable economic growth. Economic growth can also be measured alongside progress made in terms of the social and environmental dimensions of sustainability. Industrial production should be accompanied by stringent environmental protection regulations and preservation of natural and environmental resources for future generations - which is at the heart of the sustainability initiatives (Stiglitz, Sen and Fitoussi, 2010).

The social dimension of sustainable economic growth is driven by the environmental dimension. This is because of the quality of the environment in which people find themselves affects the degree of their social enjoyment. The environmental dimension is examined in this study. The effect of economic growth on the environment is shown in a study by Opukri and Ibada (2008) who report serious environment pollution and the consequent impact on the standard of living of the general population. For example, in the Niger Delta region of Nigeria, severe environmental degradation and its impacts on local occupation and economy have been documented. Also, Panayotou (2016) argued that a balanced measure of economic growth with environmental protection and preservation of the social fabric of the society is required. This is aligned with the views of other scholars who argue for more responsibility for MNEs and accountability in pursuit of corporate growth strategy (Jenkins and Yakovleva, 2006; Banerjee, 2008).

In many developing countries, the regulatory and legal framework is very weak to drive the agenda for the protection of the environment alongside economic growth agenda (Dean and McMullen, 2007). Many studies advocate a strong policy framework for property rights, environmental protection responsibility and penalties for default (Jenkins and Yakovleva, 2006; Banerjee, 2008; Dean and McMullen, 2007). Therefore, the adoption of a sustainability agenda attracts genuine investors who have the capacity and drive to safeguard the environment while promoting their corporate growth (Dean and McMullen, 2007).

3.3.2 Drivers and determinants of Economic Growth

Many factors have been identified as positive drivers a country's economic growth. Some of these include entrepreneurship and innovation, governance and policies, public infrastructure, education levels and technological expertise (Howorth, Tempest and Coupland, 2005). Entrepreneurship is described as a process of creating a new business. This description is appropriate as it shows the contribution of entrepreneurship to economic growth and the impact of activities of business owners (Howorth, Tempest and Coupland, 2005). According to Segal, Borgia and Schoenfeld (2006), an entrepreneur is one who organises, starts and manages a business, taking the challenge to be self-employed, being ready to bear the responsibility that comes with owning a business and willing to assume the problem that ordinary individuals would rather not contemplate. Moreover, Wright and Stigliani (2013) state that an entrepreneur makes an important contribution to economic growth and usually

accounts for the different levels of economic activities amongst countries (Casson and Wadeson, 2007). The close linkage between innovation and entrepreneurship has been established as innovation drives new product development for solving existing problems (Littunen, 2000; Galindo and Picazo, 2013). The more entrepreneurial and innovative activities are going on in a country, the more that country is likely to witness improvements in its economic growth (Galindo and Picazo, 2013).

Moreover, in pursuing economic growth, governments around the world are often advised to ensure good governance, especially with the effective and efficient allocation of the country's resources (Huang and Ho, 2017). It should be the responsibility of the government to make plans for economic development. Developmental factors such as an abundance of efficient infrastructure, high-quality institutions, good governance, openness and innovation complement each other to drive economic growth. Countries that do not have effective developmental factors working are likely to lag behind others (Greiner, Semmler and Gong, 2016).

3.3.3 Barriers to Economic growth

Barriers to economic growth include poor public infrastructure, lack of technical knowledge, the presence of institutional corruption, excessive foreign debt and over-population (Spolaore and Wacziarg, 2014).

3.3.3.1 Lack of public infrastructure

Lack of good public infrastructure is a challenge, especially in developing countries (Raychaudhuri and De, 2016). The production of goods and services in countries such as Nigeria requires efficient public infrastructure. Inadequate or insufficient infrastructure leads to excessive waste of production time and money, this results in adverse effects on a country's economic growth (Musibau, Mahmood and Hammed, 2017; Oosterhaven and Knaap, 2017; Chakamera and Alagidede, 2018). Examples of infrastructure requirements include electricity, roads, information technology etc. One of the direct effects of poor public infrastructure is an increase in the cost of doing business in these countries as businesses that are willing to take the risk and invest end up providing their amenities such as power at a high cost. Other effects of poor infrastructure like poor road networks are high vehicles maintenance costs and extended lead time, which delay the supply of goods and services to customers.

The deployment of information technologies has been reported to have significantly improved economic growth (Pradhan, Arvin and Norman, 2015). However, this comes at a huge initial set up cost to the business (Monozam et al., 2016). According to Nguyen, Newby and Macaulay, 2015), information technologies can assist businesses and individuals in reducing the cost of the transaction and increases the ability to contribute positively to the country's economic growth. Poor functioning of information technology services affects the ability of entrepreneurs and businesses to optimise technology in achieving

a competitive advantage, especially in the area of information gathering and business process enhancement (Obokoh and Goldman, 2016).

3.3.3.2 The Presence of Institutional Corruption

Corruption can be defined as the wrongful use of public funds for personal enrichment (Roy and Oliver, 2009). The incidence of corruption has been identified as challenges affecting some countries especially the ones that are still developing the ability to attract growth-inducing funds (d'Agostino, Dunne and Pieroni, 2016; Pinto and Zhu, 2016). According to Godinez and Liu (2015), previous studies on the effect of corruption on capital inflows have produced conflicting outcomes. While some studies found that corruption holds back capital, others have claimed otherwise.

Scholars use the term 'corruption distance' to gauge the degree at which a host country for FDI capital is advantaged against the home country for FDI (Godinez and Liu, 2015). A host country's lower corruption index relative to that of the home country of FDI is regarded as a positive corruption distance and vice-versa. Godinez and Liu's (2015) study on Latin American countries found no significant relationship between positive corruption distance and an increase in the volume of inward FDI capital in other countries. At the same time, negative corruption distance resulted in a lower level of FDI capital inflows into other countries.

Many countries that are at the developmental stage have corruption as a burning issue. The incidence of corruption and weak institutions are having debilitating effects on the effective flow of FDI (Delgado, McCloud and Kumbhakar, 2014). The debate about the effect of corruption has centred on whether it is a completely negative phenomenon for economic growth or if it does have a positive effect on growth (Canare, 2017). It has been argued that corruption may have a positive effect by way of reducing the problems caused in the economy because of weak institutions (Delgado, McCloud and Kumbhakar, 2014; Canare, 2017).

The main argument here is that because of ill-functioning bureaucratic systems that negatively affect the effective operations of the economic systems, a fast or what is referred to as 'grease the wheel' system is needed to allow for increased economic activity (Meon and Weill, 2010). Granted that corruption may play some positive role in some economies where institutions are mostly weak, the popular consensus by scholars is that corruption significantly reduces the ability of countries to achieve substantial economic growth (Delgado, McCloud and Kumbhakar, 2014).

3.3.3.3 Effect of foreign debt

Just as in the case of corruption, there is also an argument as to whether foreign debt impedes economic growth. According to Panizza and Presbitero (2014), the question of whether foreign debt inhibits economic growth is an important policy question. If the answer is positive and if the policy of higher

foreign debt is effective in the short run, pursuing an expansionary fiscal policy that results in a higher foreign debt may slow down growth in the long run, eventually deflating the gains made from the expansionary policy. Numerous studies on the effect of foreign debt on economic growth have shown that there is a negative non-linear relationship between foreign debt and economic growth (Panizza and Presbitero 2014). Reinhart, Reinhart and Rogoff (2012) argued that a correlation does not lead to effect all the time and that high foreign debt may be because of low performance of the economy concerning economic growth. A study by Reinhart, Reinhart and Rogoff (2012) indicates that from a sample of OECD countries, there was no proof that high foreign debt leads to economic growth.

Since leverage is sometimes imperative to finance projects, the decision to finance with debt can lead to a positive or negative outcome (Lim, 2019). Businesses and governments do sometimes have to resort to debt to take advantage of potentially profitable business opportunities. However, if this becomes excessive, the debt situation could lead to a negative consequence, in the form of negative growth, be it for business or government (Eberhardt and Presbitero, 2015). Eberhardt and Presbitero (2015) used public debt data from 118 developing, emerging and advanced countries to test the effect of public debt on economic growth and found that high debt to GDP ratio with some variations among countries leads to lower economic growth in the long run.

A similar study conducted by Mencinger, Aristovnik and Verbic (2014), involving countries within the European Union, found a high degree of a non-linear relationship between high debt status and GDP growth. It is interesting to note that the non-linearity between debt level and economic growth is as high as between 80% to 90% for older members of the European Union and 53% to 54% for newer members. This indicates that countries may benefit from foreign financing to fund developmental projects, and that is when they ensure that the country's debt exposure does not get to the level where it becomes difficult to manage. When this precaution is ignored, benefits derived in the short run by utilising the funds borrowed from abroad can lead to untoward negative consequences for the country's GDP growth in the long run.

3.3.3.4 Overpopulation

The barriers to economic growth will not be complete without a look at the effects of overpopulation on the economic growth of countries. Toth and Szigeti (2016), in a study which focused on overpopulation and overconsumption, found that the negative effect recorded by countries for GDP growth is not because of overpopulation but rather due to overconsumption. There is the notion that overpopulation will lead to productive capacity being overstretched, resulting in a slowdown in economic growth (Crist, Mora and Engelman 2017). According to Hendrixson and Hartmann (2019), the fear of the scarcity that may arise because of continuous population increase has led to the call for the Malthusian brand of population control to stem the tide of population growth (Hendrixson and Hartmann, 2019).

Population growth results in a positive effect on economic growth in some instances. A study by Urdal and Buhaug (2013), for instance, found that strong population growth boosted development in some urbanising developing countries in the last fifty years and high economic growth has been experienced in countries such as Botswana and the United Arab Emirates. However, despite the continued playing down of the neo-Malthusian concept of overpopulation ills, scholars have continued to evaluate the effect of overpopulation on economic growth and development of countries (Fletcher, Puleo and Breitling, 2014). There are still subsisting positions that overpopulation results in negative effects on economic growth.

According to Slobodhikova (2015), the effect of overpopulation can be seen in the case of China where the country, despite its massive GDP position, has turned itself into a poor country because of its population growth. Growth theories usually forecast a positive relationship between population growth and economic growth. However, scientific research showed that both population growth and economic growth have a negative relationship (Prettner, 2014). According to Prettner (2014), the notion of population-economic growth balance has it that declining fertility results in quicker accumulation of capital and enhanced economic growth. It could be argued that capital accumulation could be improved due to increased human populations. However, overpopulation has the potential of increasing the scale of national resources that can be devoted towards ensuring every child in the country receives

quality early education which is essential in ensuring that each child can contribute positively to the economic growth of the country in the future.

The possession of technical skills adds to the productivity of individuals, firms and economies. According to Dietz and Bozeman (2005) and Burstein and Monge-Naranjo (2009), technical knowledge could be in the form of technology usage or management expertise. An economy that possesses less technical knowledge compared to others will have great difficulty competing with them. Technical deficiency is most evident in developing countries where it affects their ability to compete with others in the current globalised world (Narteh, 2008). Advanced technical skills have been driving and sustaining the industrial status of developed countries, and this is required to improve productivity and economic growth of developing countries (Zanello et al., 2016).

Research has shown that abundant technical skills increase the capacity of a country to boost productivity, which increases economic growth in the long run (Kruss et al., 2015). Citizens individually, collectively and working in a commercial organisation and governmental institutions are supposed to contribute to the economic growth of their countries. The productive capacities of citizens are dependent on a lot of factors including knowledge, competence and technical skills (Jackson, 2015). However, when most of the citizens lack adequate technical skills, their ability to become highly productive and contribute to economic growth is reduced. Adequate skill development systems

are lacking in developing countries. These skill-developing systems, which include education, technical and vocational apprenticeship, and which are required to achieve long term productivity and growth, are already abundant in developed countries (Raveh and Reshef, 2016).

Developing countries rely on advanced countries as a source of technical capacities to support their economies. This happens in two ways. First, developed countries, as part of their FDIs, bring in experts from diverse fields into the host economies. Countries that cannot attract FDIs are starved of this important source of technical skills. Second, developing countries can send their citizens to learn needed technical skills from advanced countries, and on return, the learned skills are transferred to local workers as part of the on-the-job training. Developing countries are increasingly adopting technological innovations from advanced countries in their workplaces and highly educated, and skilled workers are lacking in developing countries to fully optimise these technologies to fuel productive and enhanced economic growth in the long run (Lee and Wie, 2015).

3.4 Summary

International trade and FDI have played a key role in economic growth and development of countries, especially against the backdrop of FDI inflows. The linkage between FDI, international trade and economic development can never be overemphasised. There is a need for a country to export goods to other countries to generate income and conversely import products from other

countries with comparative advantage to produce them. Thus, FDI is driven by differences in natural resources and locally developed technologies, knowledge and skills as well as dissimilarities in product features and endowed resources.

Many developing countries require an outside inflow of investment along with technological innovation to give their economies a boost. An aspect of these outside contributions is in the form of FDI. In seeking out FDI destinations, investors usually have different strategies for achieving profitability. So, countries always ensure they evaluate the motives of foreign investors trying to come into their country as FDI destination so as to get the best out of the FDI.

The importance of economic growth in an economy cannot be overemphasised, and that is why countries want to achieve this objective. Economic growth is pursued to see improvement in a country's development through improvement in the standard of living and welfare of citizens and an effective reduction in poverty levels. Some studies have found a bi-directional relationship between FDI and economic growth, while others found a uni-directional relationship. The elimination of institutional corruption, high entrepreneurial orientation, propensity to innovate, sound governance and good economic policies are vital to the achievement of economic growth. Other economic growth drivers include abundant public infrastructure, good quality education and technological expertise. Economic growth will be seriously hampered if all or some of these drivers are in the negative.

CHAPTER FOUR

THEORIES AND STUDIES ON FDI AND ECONOMIC GROWTH

4.1 Introduction

This chapter reviews the various theories of FDI and economic growth which underpin this research. The review starts with the earliest theories to the most modern theoretical understanding of both concepts. In addition to FDI and economic growth theories, this chapter will also review studies on FDI and economic growth concerning employment generation, infrastructure development and standard of living. This will lead to the development of a theoretical framework. The theoretical framework will, in turn, provide a solid foundation from which the researcher can observe and predict relationship dynamics between two or more variables by studying the outcomes of previous studies. The theoretical framework for this study aligns with FDI and economic growth theories. Also, the market imperfection theory proposed by Hymer and Kindleberger in 1976 is discussed. The theory explains that the presence of inefficiencies in the international market and under market imperfection, the free resolution of price by the interplay of market forces is absent, leading to uncertainty of the market, so multinational companies in the Niger Delta might be taking advantages of this unpredictability.

4.2 Overview of theories of international trade

In this section, various theories on international trade are discussed to provide an understanding of the dynamics and processes that drive cross-border trading among countries at both macro and micro-levels of analysis. The understanding of the theories of international trade also provides the rationale for FDI as a form of international trade and investment.

4.2.1 Classical Trade Theories

One of the earliest theories that explain the rationale for FDI is the classical trade theory of absolute advantage as propounded by Adam Smith in 1776. In its purest form, the theory of absolute advantage states that each country has an absolute advantage with unique capabilities in the production of certain goods and specialised services than other countries in the face of a similar amount of resources (Schumacher, 2012). The theory further asserts that given this absolute advantage, countries should focus on the production of those goods and services in which they have a comparative advantage over other countries. The advent of free trade and drive for specialisation in trade between countries is thus evidence of the practice of the theory of absolute advantage. Dima (2010) argued that trade liberalisation facilitated income generation by countries, which is consistent with the absolute advantage of the theoretical proposition. In contrast, the classical trade theory provides a reliable and essential foundation to understand the reasons for firms' drive for international expansion, which further explains the rationale for FDI. Zhang (2008), however, argued that the classical trade theory failed to provide an

economic theory on international trade despite its essential contribution to understanding the dynamics of international business.

The theory of comparative advantage by David Ricardo in 1817 is a further refinement of the theory of absolute advantage. Ricardo argued that more profit accrued to countries when they focus on producing goods in which they have a comparative advantage (Zhang 2008). According to Ricardo's proposition, there is high mobility of the factors of production within a country and low mobility across geographical boundaries (Costinot, and Donaldson, 2012). Ricardo's theory further stated reasons for goods to be highly mobile within and across geographical boundaries. A zero-transportation cost should be incurred by applying this theory (Cukrowski and Fischer, 2000). For example, China has become a destination for producing goods for the international market. It produces at a lower cost than other countries producing the same goods. Due to this, China has a comparative advantage in the area of cost-effectiveness.

Ricardo also suggested the adoption of technology to overcome the impact of the diminishing return on land (Zhang, 2008). Furthermore, the comparative advantage theory considers labour as an input factor within the country with a constant cost per unit of the item produced (Sapsford, 2008). This theory explains that economic development can easily be attained by the help of comparative advantage. The economy grows as a result of the transactions at the individual level. Also, when firms follow the comparative strategy, the

economy is impacted positively. Despite its contribution to the understanding of international trade, comparative advantage theory minimises the contribution of various industries (Sapsford, 2008). Over the years, economists and researchers have agreed that growth in international trade improves human welfare, economic growth and development. Theorists have provided justifications for free trade from Adam Smith's theory of absolute advantage to David's Ricardo's comparative advantage.

Other economists like Heckscher and Ohlin (1935) expanded on Ricardo's theory of comparative advantage to the theory of factor proportion. The theory of factor proportion assumes that if two countries interact in international trade with each having two different factors of production and two unique products, each country is better placed to derive a comparative advantage over the other by exporting goods in which it has the highest factor proportion relative to other countries (Keuschnigg, 1999). Heckscher and Ohlin developed the general equilibrium model (also called the Heckscher-Ohlin model) to argue that free trade leads to the growth of real national income compared to restrictive trade barriers (Moon and Pino, 2016). Heckscher-Ohlin theory explains how differences in factor endowments are consistent with the theory of comparative advantage. This theory acts as the backbone for international trade. According to the theory, if the two countries produce the same products by using the same labour, then they export the product which is more abundantly produced in one country.

Rybczinski's 1955 theorem also explains how changes in factor endowment influence the output of goods under the condition of sustained employment (Marcus, Hugo and Christis, 2009). The Rybczinski theorem stated that an increase in a country's factor endowment, such as labour, produces an increase in output of goods which uses the factor intensively and leads to a decrease in the output of other goods. The Stolper-Samuelson theorem in 1941, on the other hand, states that while open international trade benefits from the abundant factor, it is detrimental to the scarce factor. It thus provides insights into why governments may impose barriers to trade on some abundant resource to avoid disruption of income distribution within the country. The Stolper-Samuelson theorem provides details of how proceeds from international trade are distributed among the owners of the factors of production.

According to classical trade theories, international trade plays a crucial role in economic growth and development of countries due to the distribution of acquired wealth to facilitate the development of key sectors and infrastructure as well as the provision of employment and improving the standard of living of its citizens (Morgan and Katsikeas, 1997). According to Buckley and Ghauri (2015), one key driver of international trade and economic development is the need to export goods to other countries to generate income often with domestic production of imported raw materials from other countries. Thus, despite differences in natural resources, a country can export a commodity just because of the comparative advantage of locally developed technologies

at lower costs (Negichi, 2014). The application of the theory of comparative advantage is growing due to its simplicity, universality and power (Buckley and Ghauri, 2015). One limitation of the classical trade theory, however, is the inability to explain the reasons for the relative difference in resource advantages between countries. Other authors have propounded theories such as neo-classical trade theory to address this limitation.

4.2.2 Neo-classical Trade Theory

The Neo-classical trade theory is premised on the principle that an increase in the price of finished goods produces an increase in the reward of the factor of production used to intensively produce it while it reduces the reward for other factors of production (Buckley and Ghauri, 2015). Trading among countries is driven by the differences in technical capabilities and endowment factors, which all combine to create particular comparative advantages (Hofmann, 2013). Neo-classical trade theory assumes that the flow of two homogenous input factors, labour and capital, lead to production efficiencies and cost savings under the condition of free trade and free mobility of labour (Buckley and Ghauri, 2015). Accordingly, neo-classical trade theory provides a good explanation for specialisation differences in factor endowment between countries and dissimilarities in technological advancement. Thus, neo-classical trade theory explains how factor endowment and technological capabilities serve as primary drivers of international trade (Morrow, 2010).

Early approaches to explaining FDI were based on the movement of homogeneous capital, and this has led to diminishing returns of domestic capital accumulation and a transitory growth rate (Altig et al., 2011). Thus, international trade acts as a lubricant to ensure efficient allocation of all production factors. Under the neo-classical theory, some areas are not adequately covered, such as the lack of homogeneity of inputs, differences in the scale of operations and circumstances outside of perfect competition (Hofmann, 2013). Some of these gaps are addressed by other international trade theories, such as Factor Proportion Theory. However, the Neo-classical trade theory explains the relative differences in both natural and acquired resource endowment between two nations having two commodity frameworks (O'Rourke and Sinnott, 2006). For example, a country with a large population will be able to produce goods at a lower cost using labour-intensive production methods while those with significant capital resources develop a capital-intensive production framework.

The two countries will now be able to export their respective goods in a cross-exchange with the result that both countries have two different types of goods at the lowest cost on the condition that each country has a distinct preference for each other's goods. Without the condition of mutual preference for each other's goods and in cases where the labour-intensive economy is also technologically advanced and vice versa the theory will not hold. Thus, neoclassical theory is based on the premise that countries tend to produce and export goods in which they have input materials in abundance while other

countries import goods which are very scarce and costly to produce within the country.

However, despite the tremendous effort made in technological innovation, which increased the performance of multinational enterprises, gaps still exist thus exposing the limitations of the factor proportion theory in understanding and explaining different trends in international trade over a product lifecycle (Morgan and Katsikeas, 1997). One of the sets of theories, to bridge this gap, is the product life cycle theory, which helps to understand and evaluate the trend of trade between countries and project trade pattern in the future.

4.2.3 Product Life Cycle Theory

In 1966, Vernon proposed the product life cycle theory (otherwise called the international competition of enterprises) which described the approach enterprises employ in developing a product in the domestic market before exporting to the international markets (Lichtenstein, 2016). The product life cycle theory explains the various cycles that products pass through in the international market, from the introduction to maturity and decline due to internationalisation. The product life cycle provides a succinct explanation of the processes and pathways taken for the international expansion of the firms (Dima, 2010).

The Product life cycle is divided into the introduction (innovation or conception), growth, saturation (maturity) and decline stages. At the

introduction stage, new products are developed through innovation and distributed to emerging and mature markets through lower production costs and availability of resources. For instance, most innovative products are first produced and introduced in a developed economy due to the availability of higher disposable income to purchase new products which are often expensive. At the entry point, the market saturation is small, and sales are relatively low. To balance the impact of low sales, local production is typically implemented to keep production cost low and to allow for modification of a product with minimal risk and time. With increasing sales, however, many corporations may start to consider exporting the product to other developed countries to increase sales and revenue, thus opening a new route to internationalisation (Lichtenstein, 2016).

During the conception stage, the home economy has total control of production, distribution and sales of the product. During the growth and maturity stage, international expansion is directed to countries with low cost of operations and labour cost. This makes it possible for the firm to produce the product at a lower price and then commence the exporting of the cheaper version of the same product. At the maturity stage, demand for the product in developed countries will continue to increase while gradually building up sales in developing economy markets. Using the example of the internationalisation of US firms, the product life cycle theory explains the rationale for the manufacturing of the innovative product in Western Europe rather than homegrown production. Due to the successful penetration in the domestic

market, some local manufacturers will start reverse engineering and developing similar products, which now become competitors with innovator products. This situation compels firms from developed countries to establish local production facilities to strengthen their competitive edge (Denisia, 2010).

4.2.4 Portfolio Theory

The portfolio theory of international trade provides another plausible explanation to bridge the gap in the concept of comparative advantage in the face of increasing FDI flows globally by maximising return and minimising the risk of an investment (Lichtenstein, 2016). The growth of indirect capital movements through the opening of capital markets in many parts of the world have created more portfolio of investments across geographic entities using instruments such as bonds, notes, equities and treasury bills (Denisia, 2010). Although portfolio investors can generate profit from their investment, the limited scope of portfolio investment revolves around the lack of power of investors to exercise control or play a role in daily operations of the enterprise (Mohammed, 2012). Portfolio investment is, therefore, not regarded as a direct investment due to the lack of physical presence of the investor in the country of investment. Portfolio investment can, however, be easily pooled together, especially direct investment with long-term intentions, to maintain a physical presence (Lichtenstein, 2016).

4.2.5 Market Imperfection Theory

In a market under perfect competition, the price is determined by the relative demand and supply of the products with both buyers and sellers having unrestricted interaction and there is limited control of price by the firm (Becker, 2015). However, under market imperfection, the free determination of price by the interplay of market forces is absent, leading to uncertainty or unpredictability of the market (Mahoney and Weyl, 2017). In imperfect competition, the firm can set the price, for example, under the condition of increased demand, the price can be raised to create a monopolistic competition (Nayak and Choudhury, 2014). The market imperfection theory proposed by Hymer and Kindleberger in 1976 explained the presence of market inefficiencies created by multinational enterprises (MNEs) because of their unique competitive advantage to determine prices of goods under imperfect market conditions (Nayak and Choudhury, 2014).

The market imperfection theory is based on the view that different markets have different demands, limited information and varying degrees of the buyer-seller mix and the associated competition (Albalade and Gragera, 2018). It assumes that perfect competition does not occur even when buyers and sellers have the same information, market similar products and prices are determined by market forces. Many MNEs are motivated to seek investment opportunities outside of their original country due to structural imperfections in the destination country (Faeth, 2009). This theory also explains that if the company is facing any hurdle related to imperfection, then it must require

proper foreign investment. This investment can easily put the company on the way to progress and also get rid of imperfection hurdles.

A further refinement of the imperfect market theory has produced internationalisation theory, transaction cost theory and the eclectic paradigm.

4.2.6 Internationalisation Theory

Internationalisation theory provides a broad explanation of the reasons why firms exist through the creation of knowledge-intensive activities and the emergence of country multinational enterprises (Buckley et al, 2007). The actual scope of the multinational's substantial growth is defined by internationalising markets until the cost of further internationalisation outweighs the benefits. Therefore, internationalisation theory marks the emergence of avenues for the MNE to either maintain at "least-cost location" which leads to the question of where an action should be located and how each activity is to be controlled. The pursuit of internationalisation has led many MNEs to pursue investment in technology, research and development to drive output and competitiveness (Buckley, Obe and Boddewyn, 2015).

According to Andersen, Ahmad and Chan (2014), the internationalisation theory derives from the presence of market failures in different geographical markets based on strategies developed at country, industry and firm level. The internationalisation theory rests on three attributes. First, in the presence of market imperfections, companies typically adopt strategies for optimal productivity; therefore, FDI flows due to a lack of effective competition in the domestic market. Second, the presence of an imperfect market for an

intermediate product encourages firms to create a need for a substitute product that can optimally be re-used during its productions (Buckley, Obe and Boddewyn, 2015). International investors produce goods in the domestic market using intermediate products as raw materials. Third, the internationalisation of markets globally creates an opportunity for MNEs to benefit from the structural imperfections that exist in the global markets (Nayak, and Choudhury, 2014).

According to Buckley and Casson (1976), the advantages of internationalisation include the ability to co-ordinate multi-stage production processes despite time lags in home and destination markets and the possibility of discriminatory pricing in different markets and leveraging on market power to eliminate market instability. Other advantages include the removal of knowledge inequalities between buyers and sellers and leveraging on transfer pricing to reduce tax liability on international transactions. However, there are demerits associated with internationalisation such as higher resource costs due to multiple investments in different countries under full internationalisation regime as well as increased communication cost due to distance. Other challenges include managing political and economic differences of host and destination countries, management costs and risk of financial loss from multi-currency operations (Buckley and Casson, 1976).

4.2.7 Oligopolistic theory

In an oligopolistic market, few players are dominant within the industrial sector due to high entry barriers and other factors. According to Hoenen and Hansen (2009), many firms typically follow their competition into a foreign market to match their performance or to leverage competition available in the domestic market (Kurtishi-Kastrati, 2013). Thus, FDI flows into many countries are driven by the oligopolistic market structure and follow the pattern of resource-seeking FDI. In an oligopolistic market, firms are motivated to acquire competitors to increase their market share, gain market control and to increase entry barriers (Hofmann, 2013). The oligopolistic firm behaviour occurs because companies which began with exporting are hesitant to progress to local products as they are not clear about the total cost of production within the country or cost of doing business in the domestic market (Nayak and Choudhury, 2014).

A risk-averse competitor armed with the right information may proceed to invest in the country after assurance of its profitability. The early responders, in this case, stand to gain market share due to their investment in the local market through cost advantage and increased profitability. As more competitors enter the market, the level of uncertainty decreases. Thus, competition follows with commensurate FDI flows to avoid losing out in the market (Kaplow, 2013). In line with the oligopolistic theory, some of the gains derived from the FDI flow include an increase in competition, increased varieties of products and lower costs of goods. However, this can only occur

when there is a drop in the internal price of production in the domestic market (Nayak and Choudhury, 2014). Despite its value in explaining drive for FDI into a country, the oligopolistic theory of FDI fails to fully clarify why firms engage in FDI in the host country.

4.2.8 The Eclectic Paradigm

The eclectic paradigm as a concept was meant to espouse the idea that a broad set of theories are needed to explain and fully understand the activities of transnational corporations (Dunning, 2015a). The theory posits that FDI is just one out of many strands of international business activity. According to Guimon (2016), the eclectic paradigm is one of the primary bedrocks of international trade, and this has come about in the process of explaining the reasons firms choose to engage in FDI instead of the regular operation of trading across national borders. The eclectic paradigm is like a general framework upon which a general analysis of internalisation and FDI can be drawn from. John Dunning articulated the eclectic paradigm as a robust and influential principle in international business with three types of competitive advantage, namely ownership advantage, location advantage and internalisation advantage (Dunning, 1977). The eclectic paradigm represents a dominant approach to explaining the rationale for MNCs in host countries from the three perspectives of ownership, location and internalisation (called the OLI paradigm in line with Dunning, 2000).

The eclectic paradigm argues that firms possess unique ownership advantages over their competitors, which include proprietary assets that can be leveraged to its advantage in a foreign economy (Buckley and Hashai, 2009). Ownership advantage refers to firm-specific ownership of intangible assets such as marketing, superior managerial capabilities or technological knowledge, which is also transferable between the host and originating countries. The location advantage occurs when a firm uses its early mover stance to accumulate more visibility and market dominance and adaptability to its operating environment than its competitor (Tatoglu and Glaister, 1998). This aligns with the views of Buckley and Hashai (2009) that location advantage is a country-specific characteristic, location-bound assets such as materials, labour, natural resources can be assessed by investors and industry operators.

The internationalisation advantage refers to the operational arrangements for production through a locally-based subsidiary (Tatoglu and Glaister, 1998). Internationalisation advantage is an approach where an organisation chooses to exploit its location advantage instead of licensing or other collaborative modes to reduce transaction costs often linked to the inter-firm transfer of proprietary knowledge and capabilities (Buckley and Ghauri, 2015). This is consistent with the work of Tatoglu and Glaister (1998) that describes the internationalisation strategy as developing and leveraging unique capabilities arising from the location advantage. Ownership through acquisition becomes a unique competitive edge for foreign investors than the competition (Buckley and Hashai, 2009; Dunning and Lundan, 2008). The location element of the

eclectic paradigm exists as a result of the existence of inimitable potential business location environment that arises as a result of location difference between the home market of a foreign investor and the potential host location (Guimon, 2016). Potential investors for FDI would have taken stock of the market conditions in their home country and that of the potential foreign investment location before finally making their foreign investment decision.

The eclectic paradigm is mainly focused on explaining the trend and level of international production financed through FDI by MNEs (Buckley and Hashai, 2009). The entry strategies of many MNEs as explained in the last chapter can be summarised into four categories, namely market-seeking FDI, resource-seeking FDI, efficiency-seeking FDI, and strategic asset-seeking FDI (Rugman and Nguyen, 2014). An example of a market-seeking strategy is the creation of domestic markets through the use of intermediate products in the host countries (Rugman and Verbeke, 2002). Efficiency-seeking FDI strategy entails investing in countries with lower production costs, taking advantage of economies of scale and scope thus being able to target both domestic and international markets (Dunning and Lundan, 2008). The resource-seeking strategy is focused on seeking raw materials and labour at a relatively low cost, which typically lead to the growth of export markets (Dunning, 2000). Strategic asset-seeking investment acquires an asset such as production facilities that will enhance their competitiveness in a given market (Buckley and Ghauri, 2015).

Sometimes, a firm's internalisation strategy is export-oriented. Since trade costs exist it suffers what Morasch (2018) called variable cost disadvantage, and soon as it changes from shipping to FDI, it can avoid such disadvantage. This is not to say that firms exploring the FDI strategy from the onset do not face some setup costs. However, these costs tend to be lower in the long run as the FDI firms gain traction (Morasch, 2018). The advantage of producing in a chosen location also confers a location advantage while economic advantage must be gained by entering into the international market. Furthermore, economic performance, institutional environment and absorptive capacity perspectives all contribute to the capacity of the host country to attract foreign direct investment and the subsequent contribution to economic growth in the host country. Investors are attracted to a vibrant economic environment, an enabling institutional environment and also consider the absorptive capacity of the country to translate technological know-how into the production chain (Narula, 2014a).

Dunning (2015b) argued that due to the disappearing boundaries between countries, markets and firms, the eclectic paradigm of international trade ought to evaluate in concrete details the competitive advantages that accrue because of how firms undertake varied inter-firm business arrangements. Also, the continuously growing inter-dependencies for product markets and the increasing diversity of assets of locations enable countries and firms to take advantage of external economies of inter-dependent activities (Dunning, 2015b).

In summary, a review of various theories relating to international trade revealed a progressive contribution of many studies from the classical trade theories to the more contemporary eclectic paradigm theory. A substantial change in the motives for FDI occurred over the years since the 1950s to the 1960s which were mostly driven by market-seeking, resource-seeking or trade-supportive intentions to today's drive for specific knowledge assets, technology and firms' acquisition to gain strategic competitive advantages (Madhok and Keyhani, 2012). In the least developed countries, FDI inflows are still driven largely by resource-seeking while there is a growing recognition of the investment in the services sector as well (Narula, 2014b). In the next section, an exploration of various economic growth theories is made to understand the various aspects and factors that influence a country's economic growth. Whenever there is a discussion about international trade or economic development, then FDI is considered to be the pillar.

4.3 Theories of Economic Growth

As already stated in the previous chapter, economic growth is the increase in the market value of the goods and services produced by an economy over time (Ozekhome, 2017). Furthermore, economic growth is a sustained improvement in the level of prosperity of a country over a specific time horizon, and financial rating is based on the level of development spurred by these activities. The rate of economic growth is based on each country's productive capabilities (Buckley and Ghauri, 2015). The extent of economic growth in a

country requires long-term perspective and interplay of many factors at different times. Due to a high unemployment rate globally, many governments have developed policies and invested in infrastructure development in their quest to drive economic growth in their domain through the attraction of FDIs (World Bank, 2000). Various explanations, arguments, theories and assertions have been developed in the quest to understand the complex and multi-dimensional problem of economic growth and development. They are explained below.

4.3.1 Classical Growth Theory

The classical growth theory (also called Malthusian theory) describes a condition of diminishing output in the face of exploding population and limited natural resources (Salvadori and Signorino, 2017). The high rate of population growth is measured using real subsistence income (real GDP per person), which leads to a decrease in capital per hour of labour. Therefore, the classical growth theory argues that a temporary increase in real GDP per person leads to a reduction of the real GDP per person (Buckley and Ghauri, 2015). The classical model proponents such as Adam Smith, Thomas Malthus and David Ricardo agree that in the competition between population and technological growth, a widening gap exists with technology in the lead because there must exist a natural upper limit to population expansion (Harris, 2007).

Adam Smith argues that economic growth is made up of each nation's working population which is employed in productive labour such as agriculture and

manufacturing sector. In his view, productivity is increased depending on the number of workers, efficiency of the workers and the accumulation of capital (Lanza, 2012). However, at a time in the future, stagnation occurs when the economic growth outruns technological advancement. Technology development relies on capital investment such as FDI to increase production from automation and greater division of labour. The classical economic theory also identified the significant role of entrepreneurs and advances in technology, which increases productivity and higher real GDP per person (Buckley and Ghauri, 2015).

Critics of the classical growth theory have argued that it focuses on the 'pessimistic' aspect of economic growth (Harris, 2007). For instance, the classical growth theory assumes an agrarian economy with diminishing fertility of the soil with reducing output and growth (Salvadori and Signorino, 2017). It predicts that FDI creates investment opportunities through international trade and points out the role of technology in the transformation of production output. However, the theory posits that despite the technological advancement, the real income (real GDP per person) is always pushed back toward the subsistence level (Buckley and Ghauri, 2015).

In contrast to economic theories, the classical growth theory assumes that labour and natural endowments are essential requirements to produce a required output which generates economic benefits. In the classical period, the focus of the economists was on the efficient allocation of resources building on

the principles of the marginal unit of production while adjusting various input variables in the production process (Salvadori and Signorino, 2017). Therefore, understanding the multiple factors influencing population growth and adoption of technology in a resource-constrained environment is necessary to understand the nature of economic growth. To this end, classical economists theorise that land, labour, capital and technology as well as the socio-economic environment and political structure all play an essential role in driving the economic growth of nations (Salvadori and Signorino, 2017).

4.3.2 Neo-classical Exogenous Growth Theory

The neo-classical exogenous growth theory (also called Solow's theory or Solow-Swan model) is a simple dynamic general equilibrium model of growth which was developed by Solow (1956). It is a model based on one industrial sector and shows that economic growth is a result of inputs of capital and labour, resulting in economic equilibrium (Guerrini, 2006). The neo-classical theory describes the role of technological innovations in economic growth through the interplay of factors of production (Narula, 2014b).

The classical growth theorists argue that sustainable economic growth is possible in the long term through the application of technological innovations and capabilities and continuous improvements (Guerrini, 2006). These innovations include novel processes, new products and the entry of existing products into new markets. Thus, Solow and Swan's model proposed that without technological advancement, application of productive factors such as

labour and capital would lead to stagnation of economic growth (Solow, 2000). In line with the neo-classical exogenous growth theory, Solow and Swan's theory describe a sustainable production driven by the rate of population growth and long-term technological advancement (Solow, 2000).

The demerit of neo-classical exogenous growth theory is the lack of explanation of structured theory on the rate of economic growth especially under a condition of rising marginal productivity of capital where the impact of FDI can be experienced in the short term (Omri and Kahouli, 2014). However, sustainable FDI leads to economic growth under continuous innovations and with a long-term investment commitment (Salvadori and Signorino, 2017). In the exogenous growth model, a great degree of income per capita is left unaccounted for during comparison of differences in international income (Chirwa and Odhiambo, 2018). From calculations by (Robert, 2011) which used data from national income accounts and utilising Solow exogenous growth model, the model was only able to explain differences in maximum of two national income accounts; disparities in world income can be upward of five to ten times greater than what could be forecasted by the Solow endogenous growth model. Also, (Chirwa and Odhiambo, 2016) differentiate the determinants of economic growth in developing and developed countries. The study postulated that in developing countries, exogenous factors such as foreign trade, FDI, etc., promotes economic growth. These findings demonstrate that exogenous growth model can be faulted because of data bias.

4.3.3 Endogenous Growth Theory – New Growth Theory

The endogenous or new growth theory was developed by Schumpeter (1942) which states that GDP can increase by the help of people's pursuit of profit. It is based on the premise that innovation drives investment directions and long-run growth from economic activities derived from new technological knowledge. In the long run, the rate of economic growth is measured by the growth rate of output per person called total factor productivity (TFP) driven by technological innovation (Salvadori and Signorino, 2017). Therefore, any nation that encourages the thriving of technological innovation fared better in their economic competitiveness and development than those who do not (Stel, Carree and Thurik, 2005). In this regard, two dimensions of innovative processes have been identified, namely technological innovation and technology transfer. Technological innovation refers to new and unique inventions developed by entrepreneurs or firms, while technology transfer refers to the adoption of existing technological innovations by firms in another country (Buckley and Ghauri, 2015). Economic growth is brought about through the adoption of technological innovation and the creation of an enabling environment that facilitates trade and FDI flows where technological innovation is a source of competitive strategy (Peretto, 2015). Innovation is driven by enabling environments such as favourable government policies, stable legal and financial structures, dynamic market structure and skilled labour (Stel, Carree and Thurik, 2005).

In other to understand the endogenous growth model, one approach developed by Aghion and Durlauf (2005) focused on the requirements for capital accumulation and describes technological advancement as an intellectual capital necessary to drive economic growth. According to Bloom, Canning and Chan (2006), aggregation of data and knowledge through education and skill acquisitions are necessary conditions to drive technological innovations. Thus, a trend is observed where the accumulation of capital and technology creates a favourable climate for FDI growth. Aghion and Howitt (2006) argue that economic growth and education are unsuitable as a guide for economic policy direction, while Morley (2015) posit that the availability of skilled human resources, enabling environment, necessary infrastructure and investment in research and development capabilities are drivers of FDI to host countries. Another criticism that has been directed at the endogenous growth theory is that it is difficult to validate through empirical evidence and that the theory can sometimes be based on assumptions that are impossible to be measured accurately (Aghion et al., 2016). Chirwa and Odhiambo (2018) observe that a wide range of exogenous growth models are challenged when one needs to determine the ideal worth of the rate of time preference, constant comparative risk aversion and shadow prices.

Another problem with the endogenous growth model is that simulations are applied in the empirical estimation of endogenous growth model (Chirwa and Odhiambo, 2018). Evaluating economic innovation after the event may not be successful because the process of grasping transformation that is achieved

from economic advancement can take a very long period to show its outcome ultimately. It follows, therefore, that forecasting the result of an economic innovation may be the only option (Chirwa and Odhiambo, 2018).

4.3.4 Porter's Theory of Competitive Advantage

Porter (1990) propounded the theory of competitive advantage and described how a country's national prosperity is based on the level of competitiveness of its domestic industries but not because of its natural resources, or its skilled labour force or financial strength alone. Porter describes a set of factors such as effective policies, strong institutions, stable political environment, reliable legal structures and financial systems to drive competitive advantage. According to Porter, a country's macro-economic fundamentals are drivers of competitive advantage as well as the supportive business environment (Porter, 1990). World Economic Forum (2012) describes competitiveness as a combination of institutions, policies and various factors which govern the level of productivity within a country. This aligns with the view of Onsel et al. (2008) that the competitiveness of nations brings about economic growth and improved welfare of people within the country. This competitiveness is, however, enhanced through constructive engagement with other countries to leverage value from its competitiveness and drive its economic growth.

Porter's theory contributes to how the competitive advantage of nations plays a role in driving international trade and production. The competitiveness of nations is driven by five major determinants; namely demand conditions,

factor conditions, related and supportive industries, firm strategy, structure and competitive rivalry (Porters, 1990). Factor conditions refer to input factors required to create productive efficiency for company's investment such as the availability of skilled and low-cost human resources, physical and infrastructural resources (such as electricity, water and functional road networks etc), knowledge resources (such as technical, scientific and technology capabilities) and capital resources (fund and cost of capital). Demand conditions refer to how the host market influences the direction of production, nature of products, and purchasing power of the buyers. Downstream industries are used in the extraction of oil and gas; hence it requires equipment and technologies that are made available as a result of foreign direct investment. Home-based suppliers are also sources of innovation and application of new technology, joint problem solving and information sharing, which benefits international investors. The availability of competitive rivalry in the domestic market and the enabling environment support the growth of global industries (Porter, 1990).

In summary, international trade theory addresses questions relating to the conditions under which trade takes place, the terms for trade, and how trades are determined. Classical economists such as Adam Smith used the concept of absolute cost advantage to explain how international trade should be determined while neo-classical economists such as David Ricardo used the comparative cost advantage as the basis of his explanation. The product life cycle theory by Vermont explained international trade regarding the source of

parts and labour associated with a product. He theorised that at the initial stage of products, the parts and labour that go into the making of the product come from where they originated. Portfolio theory attempts to explain the risk element in international trade and FDI. It suggests the spreading of investment across international boundaries to minimise the risk associated with business investments. Portfolio theory of international trade enables foreign investors to take advantage of high investment returns from emerging markets.

Market imperfection theory assumes that foreign investors take advantage of strategic inefficiencies in the market and use it as a strategic advantage when pursuing internalisation objectives. Internationalisation theory contributed to the emergence of multinational enterprises. Firms are motivated to keep pursuing the internationalisation strategy as long as it is profitable. The oligopolistic theory of international trade is driven by a firm's quest not to be outdone by competitors. The firm is eager to follow the competition into a foreign market to take advantage of the competitive advantage that is available in the overseas markets, just like their competitor. The eclectic paradigm brought a whole new level of explanation as to why firms internationalise or engage in FDI. In the model, the possession of unique ownership of proprietary assets, the ability to achieve first-mover advantage and the ability to effectively internationalise by utilising a local subsidiary enable firms to engage in foreign direct investment.

Classical growth theory rests on the number, ability and efficiency of productive workers, but also fears that stagnation may occur in the future if growth outruns the ability of technological advancement to support growth. Neo-classical growth theory believes in the ability of technology and innovation to infinitely support growth. The transaction cost approach to internationalisation views firms as a set of the transaction and the details of the transaction determines the internalisation strategy. Porter's competitive advantage theory bases its argument on the fact that firms can internationalise because of their relatively positive competitive advantage in comparison to similar firms abroad.

After reviewing the theories and studies of FDI and economic growth, the following relationship between FDI and research variables are discourse.

4.4 Relationship between FDI and Employment

The rate of employment generated is determined by the degree of economic performance and economic growth (Loan, 2014). Economic growth entails an increase in the economy of scale by enhanced economic activities, and the promotion of economic growth improves welfare within a country (Long and Ji, 2019). FDI flows to countries with available skilled human resources with technical skills as evidenced by higher tertiary education rate (Dietz and Bozeman, 2005). A positive correlation between FDI inflows and economic growth has previously been reported (Burstein and Monge-Naranjo, 2009).

According to Iamsiraroj (2017), there is a general understanding among policymakers, politicians, academics and researchers that FDI has a substantial effect on economic growth. The level of educational attainment in a country reported as average IQ levels is an important determinant of economic growth (Kahouli and Maktouf, 2015). In many developing economies, critical lack of technical skills has contributed to reduced competitiveness with the rest of the world (Narteh, 2008). FDI inflows have been reported to contribute to employment generation in the local economy either through a direct hire or through other industries benefiting from the multiplier effect of the FDI investment flows. According to Banerji (2013, p. 1) "FDI will cause flow of money into the economy which stimulates economic activity, increases in employment, and gives domestic producers incentive to become efficient".

In Nigeria, FDI inflows from the oil industry have contributed to about 1 million jobs in the country (NBS, 2016). However, the contribution of the oil and gas sector FDI flows to the Niger Delta region in terms of human capital development is low at roughly 1.3 per cent of the total modern sector employment (Odularu, 2008). The environmental threat has lowered the quality of life and economic prosperity of the Niger Delta region (OECD, 2008; Emoyan, 2008). A study by Marelli, Resmini and Signorelli (2014) reported that FDI inflows led to an increase in employment levels in northern and western Europe but had no effect in the eastern and southern regions. Moreover, In a study by Inekwe (2013), which examined the linkage between economic growth, employment and FDI in Nigeria, there was a positive

correlation between economic growth and FDI in the services sector, but a negative relationship to employment rate while in the manufacturing sector, there was a negative relationship between economic growth and FDI, but a positive relationship existed between FDI and employment rate. The relationship between FDI inflow and economic growth was found to have a bi-directional causal effect in the manufacturing and service sectors of Nigeria compared to uni-directional causality between employment and FDI in the services and manufacturing sectors. Therefore, Inekwe (2013, P. 428) concluded that “more FDI inflow to the servicing sector would enhance growth. As the importance of the service sectors in an economy remains pivotal to growth issues, it is pertinent to encourage more FDI inflows into this sector”.

Recently, the National Bureau of statistics in Nigeria (2017) estimated the full labour force in the country at around 80 million. In the Niger Delta region of Nigeria, where the major occupation is fishing and farming, the activities of the oil and gas industry have posed a threat to the survival of the local industry due to environmental degradation and pollution (OECD, 2008; Emoyan, 2008).

Therefore, based on the preceding analysis, the following hypothesis is proposed.

Hypothesis one.

H10: In the Niger Delta, there is a negative correlation between RSFDI and employment generation.

H1a: In the Niger Delta, there is a positive correlation between RSFDI and employment generation.

This hypothesis aims to establish a relationship between RSFDI in the Niger Delta and employment generation in the region. It is assumed that inflows of foreign capital and FDIs will improve employment opportunities in the area where the FDIs are located. This hypothesis will be tested to establish if this assumption holds in the Niger Delta.

4.5 FDI and Infrastructure

Availability of good public infrastructure is a challenge for FDI, especially in many developing countries (Bhattacharya, Romani and Stern, 2012). The production of goods and services requires efficient public infrastructure to be optimal. Poor or insufficient infrastructure leads to excessive waste of productive time and money, hence the adverse effect on a country's economic growth (Francois and Manchin, 2007; Sahoo and Dash, 2009). Examples of infrastructure requirements include electricity, roads, transport and information communication technology. One of the direct effects of poor public infrastructure is an increase in the cost of doing business in these countries as businesses that are willing to take the risk and invest end up providing their amenities such as power at a great cost. Another effect of poor infrastructure like poor road network is high vehicles maintenance cost and long lead time to provide goods and services to their customers.

In a study carried out in Pakistan by You and Teng (2009), a positive correlation between infrastructure availability and FDI inflow was observed. This also aligns with findings by Shah (2014) that infrastructure availability is a driver for FDI and a major influence on investment in developing economies. Similarly, Tang (2009) reported a positive correlation between electricity consumption (a form of infrastructure) with FDI inflows in Malaysia. In another Malaysian study, Bekhet and Othman (2011; 2014) reported a significant relationship between electricity consumption and FDI. Also, Kaur, Khatua and Yadav (2016), found that the availability of strong infrastructural facilities such as gas, water, electricity and good road network increased the productivity and profitability of firms in the long term.

Moreover, a study by (Leibrecht and Riedl, 2010). which focused on central and eastern Europe, found that a strong telecommunication infrastructure and internet facilities had been drivers of FDI flows by multinational enterprises, due to the high level of importance of electricity as a form of infrastructure in Nigeria, in this study, the availability of quality electricity is employed as an indicator of physical infrastructure in the host country under study. According to Shah (2014), electricity is a very important infrastructure having an impact on economic development because the biggest rate of FDIs is channelled into industrial production, which requires uninterrupted and high capacity electricity. Thus, it has been reported that countries with poor electricity availability are at a disadvantage to other countries that have it in abundance since investors prefer to move FDI to such locations. Poor electricity also

increases the cost of doing business as well as production disruptions, leading to economic losses for the investors (Shah, 2014).

In some countries, aggressive deployment of information technologies has been reported to have greatly improved economic growth (Corrado, Hulten and Sichel, 2009). However, this comes at a great initial set up cost to the business (Maskus, Otsuki and Wilson, 2005). According to Waverman, Meschi and Fuss (2005), information technologies can assist businesses and individuals in reducing the cost of transactions and increasing the ability to contribute positively to the country's economic growth. Poor functioning of information technology services affects the ability of entrepreneurs and businesses to optimise technology in achieving a competitive advantage, especially in information gathering and business process enhancement.

Regarding the level of infrastructure development, Nigeria occupies the 23rd position in the Africa Infrastructure Development Index ranking by the African Development Bank (ADB, 2017b). The estimated value of the nation's total infrastructural stock which covers roads, rail, power, airports, water, telecommunications, and seaports represents just 35% of the total Gross Domestic Product (MBNP, 2017). Nigeria has not provided investment in infrastructure beyond 9.1% of its GDP. This level of investment has not been able to meet up with the required capital replacement cost for the country (ADB, 2019).

Repeated failures of successive governments to invest in infrastructure development have led to a wide gap in the level of infrastructure, especially in the Niger Delta region of Nigeria. The infrastructural gap in Nigeria has been attributed to low economic growth (UNDP, 2006). The natural riverine terrain of the Niger Delta has made water transportation rampant especially when the existing road network is generally graded as poor quality. However, not much attention is paid to the development of water transportation infrastructures. Firewood forms the major source of household heating and lighting; the adoption of modern energy sources still ranks quite low. For instance, research by Ozoh et al. (2018) shows that only 12.1% of households in the country utilise liquified natural gas for cooking. Access to telecommunications, housing and proper waste management services still ranks low among local communities in the region. Based on the preceding analysis, the following hypothesis is proposed.

Hypothesis two

H20: In the Niger Delta, there is a negative correlation between RSFDI and availability of tangible asset (infrastructural facilities)

H2a: In the Niger Delta, there is a positive correlation between RSFDI and availability of tangible assets (infrastructural facilities)

The assumption is that the more capital there is in an economy, the greater the opportunities to increase the volume of infrastructure that will support economic growth. This hypothesis will be tested to find out if the increased

quantity of foreign capital by way of oil and gas RSFDI has improved the availability of infrastructural facilities in Niger Delta.

4.6 FDI and Welfare

Welfare is measured as the degree of living standards and prosperity in a given economy (Pigou, 2017). Foreign cash flow by way of FDI is imperative to achieve welfare in a country such as Nigeria (Ordu, 2017; Evans and Kelikume, 2018; Saeed and Syed, 2018). FDI provides opportunities for employment, and it increases welfare by increasing the country's capacity to build up physical and productive capital (Liang, 2017). The unique nature of the Nigerian environment sometimes can negatively affect the growth of FDI inflows in the country. An example is a damage to infrastructure due to incessant violence by Niger Delta militants, coupled with the high cost of doing business, especially the cost of providing security. This can cause investors to pull out their FDI from the country leading to negative consequences on the country's welfare (Evans and Kelikume, 2018).

The sharply contrasting and depressing combination of high revenue generation and pervasive extreme local poverty was noted in the Niger Delta human development report. The peculiar topography of the Niger Delta encourages the fragmentation and proliferation of small communities with an estimated 13,329 settlements across the region (UNDP, 2006). The region's human development index (HDI) is estimated at 0.564, which is 24.5% higher than the nation's overall scores (0.453). The human development index

indicated inequalities in the average scores, especially among the oil-producing communities. The shortage of indigenes with the required skills has essentially limited the participation of the host communities in the oil-producing activities. The environmental degradation attributable to oil and gas activities has made several communities uninhabitable. According to Aworawo (2000), oil spillage resulting from the blowout from the Texaco's Funiwa rig in 1980 discharged a total of 250,000 barrels of oil over thirteen days. The volume of spillage from the blow out affected four villages with a devastating impact on the Sagami River as it wiped out much of the aquatic life.

The environmental degradation of the Niger Delta area has led to the displacement of communities and loss of a source of livelihood and income which impact negatively on the welfare of the people. The incidence of poverty in the Niger Delta region reflects the national estimates as 74.8% (Chokor, 2004). In pursuing economic growth, there is a close link between welfare and infrastructure as such governments around the world, especially third world countries, are often advised to ensure good governance with effective and efficient allocation of the country's resources (Huang and Ho, 2017). Based on the preceding review, the following hypothesis is proposed.

Hypothesis: 3

H30: In the Niger Delta, there is a negative correlation between RSFDI and standard of living (Health and wellbeing)

H3a: In the Niger Delta, there is a positive correlation between RSFDI and standard of living (Health and wellbeing)

Increased business activities mean an increase in the volume of money in circulation; this way, citizens will have enough cash flow to afford an improved standard of living. The government will also earn enough income to provide amenities to improve the standard of living of the citizens and be able to fund welfare programmes. This hypothesis is designed to test if the massive inflows of foreign capital have been able to translate into an increased standard of living and welfare of the citizens in the Niger Delta.

4.7 FDI and Economic growth

The relationship between FDI and economic growth has been studied by many researchers. Borensztein, De Gregorio and Lee (1998) found that FDI inflows add value to the local economy by facilitating domestic enterprises through the transfer of technology and human capacity development (Lamsiraroj, 2016). FDI also contributes to revamping the economy through domestic investment and contributing to the growth of other industries supplying input materials (Uttama, 2012). A country's national economic growth strategy is expected to drive poverty reduction and enhance the standard of living (Silber, 2013). FDI flows also serve as an effective mechanism to tackle the menace of poverty and facilitate the growth of countries (Asiedu, 2013). Thus, many governments have intensified efforts to initiate policies that attract FDI inflows into their economies (Shah, 2014).

According to Shah (2014), the level of FDI and capacity to attract foreign investors are greatly influenced by the economic climate, market size and level of infrastructure. This aligns with the views of Akpan, Isihak and Asongu (2014) who introduced openness to trade as an additional factor driving the flow of FDI to develop the economies of the BRICS countries (Brazil, Russia, India, China, South Africa) and MINT countries (Mexico, Indonesia, Nigeria and Turkey). Also, Vijayakumar, Sridharan and Rao (2010) added labour cost, currency value and economic growth as factors affecting FDI inflows to BRICS countries. Therefore, it has been suggested that knowledge of the host economy, good infrastructure base, economic freedom, foreign exchange rate stability, trade openness and potential for a higher return on investment helps attract FDIs (Quazi, 2007; Chakrabarti, 2001; Janicki and Wunnava, 2004).

Several studies in the past have established a relationship between FDI and economic growth. A study by Pegkas (2015) found a long-run co-integrating relationship between the level of FDI and economic growth in the Eurozone countries. Similarly, in a study of the effect of foreign direct investment in the economy of the South Asian Association for Regional Cooperation (SAARC) Tahir, Estrada and Afridi (2018) found that an increase in the stock of FDI led to economic growth. Also, a study by Fadhil and Almsafir (2015) on the relationship between FDI and economic growth in Malaysia found that an increase in FDI resulted in effective economic growth in the country.

Therefore, it can be deduced that the outcome of the previous three hypotheses is the following:

Hypothesis four

H40: The RSFDI in the Niger Delta contribute negatively to Nigeria`s GDP growth

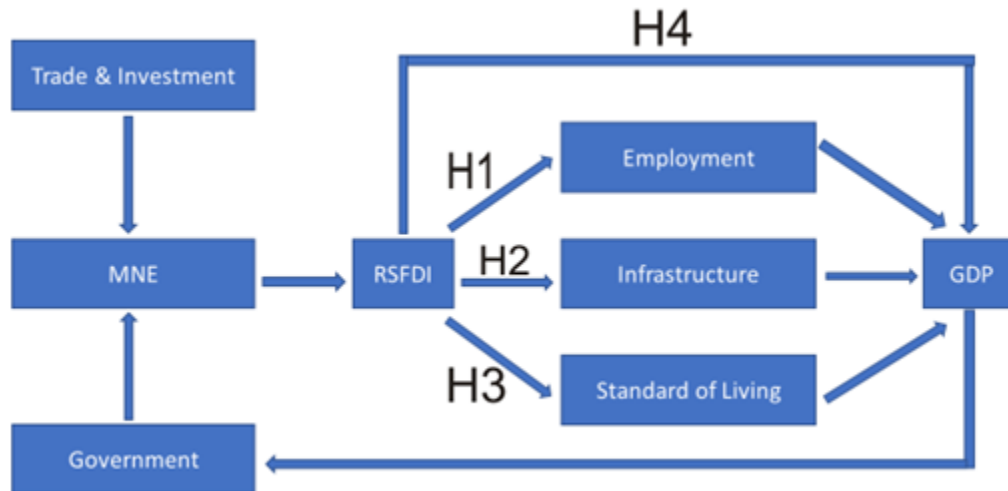
H4a: The RSFDI in the Niger Delta contribute positively to Nigeria`s GDP growth.

The reason countries attract and encourage foreign investors is to ensure the continuous growth of their GDP. As GDP increases, hopefully, the economic conditions of individual citizens in the country will also increase. This hypothesis will be tested to conclude if inflows of foreign capital by way of oil and gas RSFDI have led to GDP growth in Nigeria.

4.8 Theoretical Framework

Given the above literature review, a theoretical framework for this research study is shown in Figure 4.1 below. The theoretical framework shows that resource-seeking FDI contributes to employment generation, infrastructure development and improvement in the welfare of the destination economy according to the direct investment, which shows the pros and cons. The three elements of employment generation, infrastructure and welfare all contribute to economic growth, which is measured by GDP.

Figure 4.1: Theoretical Framework



Theoretical Framework Developed by the Author

The above theoretical framework is used to represent the framework for the research. In the framework, the primary activities of MNEs are undertaking trade and investments. A host country seeking foreign direct investment encourages MNEs to engage in FDI in their country through various economic policies and incentives. The nature of FDI that is of interest to this study is RSFDI. Once the MNEs have invested directly in the local economy, it is assumed that their investment will invariably result in an increase in employment generation, infrastructure development and improved standard of living of the host community. Equally, the framework assumes that an increase in RSFDI should increase the GDP growth of the host country. Also, an increase

in GDP growth should imbue the government with more capacity to develop policies capable of attracting MNEs into engaging in further FDI in the host country.

4.9 Summary

In line with classical trade theories, international trade has played a key role in economic growth and development of countries, especially against the backdrop of FDI inflows. The linkage between international trade and economic development is predicated on the notion that a home country needs to export goods to other countries to generate income and conversely import goods from other countries with comparative advantage to produce them. International trade is driven by differences in natural resources and locally developed technologies, knowledge and skills as well as dissimilarities in product features and endowed resources. Most authors agree that developing countries require an inflow of investment along with technological innovation to give their economies a boost. An aspect of these outside contributions is in the form of FDI. Various theories have been propounded to explain the internationalisation of businesses, the engagement in FDI by MNEs and the achievement of economic growth by countries. These theories begin from Adam Smith's classical trade theory to the more recent Dunning's eclectic paradigm and Porter's competitive advantage of nations.

The importance of economic growth in an economy cannot be overemphasised; thus, many countries seek to achieve this objective. Developing Countries

continue to pursue economic growth. They aim to see improvement in a country's development through the improvement in the standard of living of citizens and effective reduction in poverty levels, especially in developing countries. The relationship between RSFDI and employment focus on understanding how the activities of MNEs affect employment growth in the Niger Delta region. Other variables that are expected to record improvement as a result of foreign capital through the RSFDI channel include infrastructure, the standard of living and GDP of the host country. Existing literature has shown that direct foreign capital inflows increase the GDP of various economies.

The theoretical framework developed by this study is aimed at providing an understanding of the theoretical basis for the research. This theoretical basis assumes that the activities of MNEs concerning FDI should translate to enhancement in employment generation, infrastructure development and the standard of living of host communities. The theoretical framework also assumes that the direct investments by MNEs ought to reflect on the GDP growth of the host economy. Following the theoretical framework for the research, the hypothesis will be tested in chapter six, in a manner that will be described in the next chapter, the methodology chapter.

CHAPTER 5

RESEARCH METHODOLOGY, METHODS AND DESIGN

5.1 Introduction

One of the critical components of a frame of focus for a research study is the strategic choice of the research methodology. A researcher needs to evaluate several options and then select an appropriate research methodology to guide data collection, analysis, as well as the choice of theoretical foundations on which to build the entire research process, structure and outcome. According to Pfeffer et al. (2007), a research methodology is made up of underlying beliefs, principles, practices and processes which help to broaden understanding of a specific field of knowledge. This also aligns with the views of Stokes (2011) that a research methodology transcends the overall approach to data collection and analysis and incorporates theoretical foundations from previous works to shine new lights on future discoveries. Based on the foregoing, a research methodology can be defined as the underlying philosophy, roadmap and guiding principles for researchers to employ in clearing new paths to discoveries (Saunders, Lewis and Thornhill, 2009). Therefore, the objective of this chapter is to select suitable research approach, strategy and methods and justify its appropriateness for the research aims, objectives and research questions. It also expounds issues relating to sampling, data collection, data analysis techniques and ethical issues related to the study.

This chapter lays out various options for research strategies, research design and methods. It also explores various philosophies guiding research, data collection and analysis methods by considering their pros and cons, and finally selecting appropriate ones to meet the research objectives. Research hypotheses and various testing tools are also discussed. Related estimation procedures are proposed such as the co-integration technique, and the Error Correction Mechanism (ECM) to explain the relationship between the dependent and independent variables. Additional diagnostics checks, including white heteroskedasticity test, Breusch-Godfrey serial correlation, Lagrange Multiplier (LM) test and the normality test are discussed because they are the tools used in this study.

5.2 Research and its essential requirements

Research is the systematic process of creating and discovering new knowledge, which helps to solve the research problem and reduces the boundaries of ignorance in a field of study (Kothari, 2004). Research goes beyond gathering information; it involves finding answers to questions which have previously been unanswered or not sufficiently covered by other researchers (Marchington and Wilkinson 2002). Research is also an accumulated body of knowledge over a period and a systematic review of existing knowledge, interpretation of facts, revision of existing theories in the light of new facts or practical ideas (Adams et al., 2014). Given the foregoing, research can be described as uncovering new facts or creating new knowledge or perspectives from existing knowledge.

Generally, research involves problem identification through data collection and analyses and ultimately drawing valid conclusions from the information obtained. The rigorous nature of research enables other researchers to follow a similar approach to obtain results that can be comparable in most instances (Kothari, 2004). Research methodology, on the other hand, is the theory surrounding the way research should be conducted (Saunders, Lewis and Thornhill (2009). Management research, like scientific research, focuses on solving problems in a logical, systematic and sequential manner (Sekaran, 2013). According to Adams et al., (2014), the research method is a way of conducting and implementing research while research methodology is the science and philosophy behind all research which provides a critical and analytical framework to evaluate new knowledge, thus improving the value of research to society.

5.3 Research philosophy

Research philosophy is a compass pointing out directions during the process of creating new knowledge for guidance (Saunders, Lewis and Thornhill, 2009). A clear research philosophy provides a framework to guide the work. For example, a researcher may choose to adopt an inductive (or quantitative) research strategy or a deductive (or qualitative) research strategy depending on the research questions and expected outcomes in terms of research goals and objectives (Adams et al., 2014). Moreover, a research philosophy guides the researcher in making assumptions, choosing appropriate data collection and analyses methods and arriving at conclusions (Sekaran, 2013). An

iterative process is also defined in accepting or rejecting the research hypotheses or assumptions based on realities during the research process, thus shaping the research findings (Crotty, 1998 cited in Saunders, Lewis and Thornhill, 2012). The choice of the research strategy is driven by practicality or a pragmatic approach, which is also affected by the viewpoints of the researcher in line with research goals and objectives (Lee and Lings, 2008). Three categories of research philosophies are described namely positivism, realism and interpretivism.

5.3.1 Positivism

Positivism as a research philosophy was developed by Auguste Comte, a French philosopher, who propounded the theory that reality can be observed and thus introduced the adoption of scientific methods in social science research. The positivist philosophical approach to research emphasises the application of scientific methods in the discovery and creation process of new knowledge (Gill and Johnson, 2010). When using the positivist approach, data is collected to validate or explain the observable reality through cause and effect linkages in the data and development of models as an output in most instances.

Most research is conducted using the positivist approach (also called the scientific paradigm) which leans towards quantitative data collection and analyses. In the development of a research strategy using the positivist approach, statistical analysis is employed to validate or reject a hypothesis and

develop generalisable findings (Saunders, Lewis and Thornhill, 2012). In applying the positivist research strategy, researchers often deploy control and experimental groups while a pre-assessment is followed by post-assessment data collection to document any noticeable changes.

Positivist philosophy is used in this study because it is a scientific means of generating new knowledge. Data collected were used to validate and explain the challenging circumstances. It also involves testing various alternative scenarios to confirm, the kind of cause and effect relationships between research variables (Carrol and Bailey,2016). Again, Positivism is used in this research due to the nature of observable data during the period (1994 to 2016), that aligned with the research objectives that are focused on facts findings for the apparent problems in Niger Delta. The large research population size is also the reason for Positivism.

5.3.3 Interpretivism

Interpretivism is a research philosophy that focuses on human interpretation (researcher's inclusive) of phenomena or events from their point of view (Pfeffer et al., 2007). It is based on understanding social constructs from different angles and depending on the unique roles of human beings as social actors rather than as objects (Saunders, Lewis and Thornhill, 2012). The interpretivist philosophical research leans towards the qualitative research approach to understand and explain the observable reality. This is often on the opposite side of the positivist approach, which is mostly quantitative. The

interpretivist philosophy is based on explaining the physical world from the points of view different people, thus allowing each person to have their interpretation of reality and express it as they see it. Through observation, a researcher can make sense of their behavioural differences (Cohen, Manion and Morrison, 2002).

One drawback of the interpretivist philosophy is the lack of consideration of the scientific method of enquiry, thus limiting its application as a stand-alone research strategy. This is because the outcome of research based on interpretivist philosophy often tends towards subjectivism and lack the capacity for generalisation, thus limiting its validity (Saunders, Lewis and Thornhill, 2012). Despite this drawback, the interpretivist philosophy is recognised and used by many researchers because of its capacity to help develop new theory from observable facts. Interpretivism lends credence to the view that individuals exist as a valuable agency and not merely a recipient of external social forces. Thus, the approach enables us to see social reality in diverse forms through meanings and viewpoints (Cohen, Manion and Morrison, 2002). Hence interpretivism cannot be used in this study because of it more of a humanistic qualitative method such as interview and observations. So, Interpretivism embraces qualitative research. Also, Interpretivism is not used in this study because the primary data generated from an interview during qualitative research can be influenced by the researcher sentiments and value.

5.4 Research Approach

The research approach adopted by a researcher is primarily driven by the research philosophy selected. The research approach is also dictated by the research question or problem (phenomenon) to be investigated. According to Bryman and Bell (2011), a research approach is a guide on the design of the research, data collection methods adopted and data analyses options, all of which affect the study's conclusions. This aligns with the viewpoint of Collis and Hussey (2009) that research approach, design and methods form a critical bedrock for a successful research outcome. A researcher may choose from a combination of quantitative, qualitative or mixed approaches depending on the suitability rather than an exclusivist approach of one against the other (Clark et al., 2008). The fundamental differences between the three approaches border on how data are collected and how the analysed data is presented. For instance, while numeric values are used to express quantitative data, words are used to express qualitative data (Punch, 2000). In this respect, Clark et al. (2008) argue that it is possible to convert qualitative data in the form of words into numeric values through thematic coding.

5.4.1 Qualitative research

The Qualitative approach to research is based on various theoretical principles such as hermeneutics, phenomenology and social interactionism and it is aimed at the exploration of social relations from the perspectives of the respondents (Adams et al., 2014). Thus, qualitative research is focused on understanding and making sense of participants' points of view. Data collection

is usually carried out at participants' locations, while analysis builds from the specific to the general (Clark et al., 2008). The outcome of qualitative research is often of a flexible orientation and can lend itself to different interpretations. According to Johnson and Onwuegbuzie (2004), the qualitative study adopts a constructivist or interpretivism paradigm that describes people's experiences in their contextual environment. Application of qualitative methods is used in conducting key expert interviews, aggregating relevant themes and assuring face validity (Graue, 2015).

Qualitative research was not used in this study because it is dependent on inductive reasoning approach to creating an individual participant's reality, limiting drawing conclusions to a generalised case. The major drawback of qualitative research is the subjective nature of the outcome, which cannot easily be replicated to a larger population like the Niger Delta and Nigeria. Also, according to (Rahman and Sphider,2016), qualitative data collection takes longer than necessary due to the ambiguous interview process. Qualitative research approach often ignores contextual responsiveness and focused primarily on the experience of the researcher (Silverman,2010). The above reason justified why qualitative research philosophy is not adopted in this study.

5.4.2 Quantitative Research

Quantitative research is driven by the methodological principles of positivism (Adams et al., 2014). Unlike the qualitative approach, quantitative research

involves testing various alternative scenarios and confirming relationships between variables. This is carried out typically through research instruments for data collection and further statistical testing to establish any relationships between variables (Clark et al., 2008). Quantitative research involves the study of the phenomenon using deductive reasoning, which implies working from a general theoretical case to specific findings (Punch, 2000). It involves the application of standardised procedures to examine empirical data in a pre-defined format. Thus, quantitative methods can be applied to many research specimens in a limited number of research dimensions (Patton, 1990).

A significant strength of quantitative research is the capacity for replication and generalisation from its findings. Quantitative research provides a comprehensive amount of data which facilitates depth and details on a phenomenon or a small number of research specimens (Patton, 1990). Furthermore, quantitative research involves testing the validity of a theory in a situation because it relies on a positivist paradigm built on relatively stable material reality from a diverse context (Johnson and Onwuegbuzie, 2004).

This study used a quantitative research approach because it involves the use of numerical data (*ex-post facto*) as secondary data and these numerical data between (1994- 2016) - 23 years meet the research objectives. This study used a quantitative research approach because it involves the use of numerical data (*ex-post facto*) as secondary data. The statistical data between (1994-2016) 23 years meet the research objectives. Besides the large sample size

considered an essential reason for using quantitative, the data analysis process is accurate and less time consuming due to the use of IBM SPSS Amos 23. Additionally, questionnaires, as primary research data, were administered to a large population within the Niger Delta state. This broadness makes quantitative research philosophy suitable for this study.

5.4.3 Mixed methods research

A mixed methods research approach uses a combination of quantitative and qualitative research designs (Adams et al., 2014). Mixed methods research combines the strengths of qualitative and quantitative research, while the weaknesses offset each other (Teddlie and Tashakkori, 2009; Creswell, 2007). The strength of quantitative research is in its statistical power and potential for generalisation while the strength of qualitative research is providing meaning, context and depth (Mengshoel, 2012). Johnson et al. (2007) argued for a connection between the integration of qualitative and quantitative methods rather than a single method approach due to the rigour and reliability of the results. Collins et al. (2006) found that it is the combination of two separate methods that are complementary because one study provides an elaboration on another. Mengshoel (2012) supports the mixed methods approach because it provides a greater scope and a more complete and in-depth understanding of the matter under investigation.

Mixed methods provide the basis for subsequent investigation, uncovering paradox and contradiction while also supporting the investigation of different

facets of the subject under investigation (Green 2008; Johnson and Onwuegbuzie, 2004). Mixed methods research provides a context whereas qualitative methods help to create better understanding and meaning of the initial findings from quantitative methods (Creswell and Plano-Clark, 2011). A mixed methods research provides a broader and deeper understanding of the subject matter under study and broader scope (Johnson et al., 2007). It also has other benefits such as the convergence of the results of two separate methods called triangulation and using a qualitative method to elaborate on the findings from quantitative methods (Harrison, 2013). Other advantages include using one study as a starting point for further investigation, the discovery of any paradox or contradiction and further expansion through research of different facets of the subject under investigation (Griensven et al., 2014). This research did not use a mixed-method approach because of the complex research design involved in bringing quantitative and qualitative data together during integration. Also, there is no qualitative data in this research. This is because both data forms collected – secondary and primary, are quantitative.

The mixed-method is not used because of the discrepancies that might crop up during the interpretation of the research results, which is often tricky and unclear.

5.5 Research Strategy

A strategy can be defined as a high-level plan of action designed to achieve a major or overall aim, usually under a condition of uncertainty (Collis and Hussey, 2009). Biggam (2008) describes a research strategy as to how a researcher intends to implement the research study. Punch (2006, p. 48) viewed research strategy as the "internal logic or rationale by which the study intends to proceed to answer its research questions or achieve its aims and objectives". Research strategy can be described as the plans a researcher puts in place to achieve desired outcomes in line with research objectives. A good research strategy connects the research philosophy with the research approach, methods and the entire research design (Lincoln, 2005). Many research strategies can be adapted depending on the specific research design and research philosophies. There are no superior research strategies, and it is important to apply a coherence and consistent research strategy throughout the research process (Bryman and Bell, 2011).

The choice of the research strategy is essentially guided by the type of research objectives and questions. Furthermore, the extent of availability and scope of the research objectives, the sources of data and access to potential sources of data (participants) will determine the research approach to adopt. Therefore, great thought needs to be given to the selection of research strategy (Creswell, 2003). Many research strategies are accessible to researchers such as experiment, case study, survey, ethnography, action research and grounded research. For instance, it is possible to use a survey research strategy

alongside a case study or use a combination of research strategies to accomplish the research objectives (Collis and Hussey, 2009). In this study, the researcher will embrace a survey research strategy which aligns with the positivist research philosophy and a deductive (quantitative) research approach.

Executing the research strategy requires meticulously taking many steps. First, the research process involves making observations. This may be carried out through literature review and scanning the environment for conceptual issues worth investigating and with justifiable research gaps. In this study, the researcher could observe the local nature of Foreign Direct Investment (FDI) in Niger Delta as a contemporary economic issue worthy of research. This can be done by using content analysis method of research to address the research questions to provide conclusions for the research.

The second step involves identification of associated problems through probing deeply and searching for relevant information on the subject matter, discussing with key industry experts, and the reviewing of past research findings and works of other researchers. This provides a good means of uncovering research gaps and aids the subsequent development of research objectives. During the probing exercise, the problem of RSFDI in the restive Niger Delta was uncovered. However, previous researchers were not able to demonstrate any causative linkages between FDI and economic growth and identification of variables driving economic growth in the Niger Delta region of

Nigeria. Thus, this research seeks to investigate the impact of resource-seeking FDI in the Niger Delta on economic growth in Nigeria.

The third step involves the development of a hypothesis or theoretical framework based on the observed trends and past research findings. Formulation of hypothesis consists of the development of tools which capture all relevant factors driving the hypothetical situation observed and assuming some relationships. According to Buckley (2018), the adoption of research findings depends on validating the hypothesis and possible empirical investigation, while Sekaran (2003) argued that hypothesis formulation is best guided by intuition and experience. Hypothesis formulation can also be enriched by leveraging on past research findings, drawing from the experience and knowledge of other researchers in the field of study as well as identifying variables and the relationship between these variables. For this study, the researcher conducted a literature review to ascertain how the necessary variables, such as unemployment, the standard of living, infrastructure and GDP related to FDI inflows and economic growth. Each of the specific variables will be thoroughly evaluated within the context of the research objectives. The hypothesis will be developed and tested based on each of the research variables. From this, conclusions for the research will be reached.

The fourth step involves taking the hypothesis from a conceptual level to the operational level, thus ensuring the emergence of a robust theory. The quantitative (input) and predictions (output) are made based on the

hypotheses formulated earlier. The theoretical model or framework serves as an analytical instrument which makes the forecast achieve a certain level of probability given a set of input data. The secondary data was collected from various sources, including the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and the World Bank. The secondary data was extracted from their respective website and datasets. The survey questionnaire representing the primary data was collected through a survey which was administered through the survey monkey. The process in the survey monkey involves inputting the emails of the respondents on the platform, and structured questionnaire that was designed on the platform for the research were sent to the emails of the respondents using the system. After the respondents answered the questionnaire and submitted their answers, the system recorded their responses, and these were collected by the researcher for the final analysis.

The fifth step involves designing the data collection tools, choosing data collection methods and sampling procedures such as simple random sampling. In this study, a quantitative survey methodology was adopted, and a careful selection of sampling procedure was followed to ensure high reliability and validity, which is explained in section 5.12 and 5.13, respectively. Furthermore, a descriptive analysis of the data was carried out to give an overall picture of the data and later, a detailed exploratory analysis was conducted to test the relationship between variables through hypothesis testing. To collect data, a random sampling of the individual respondent was

carried out to select individuals to be involved in the questionnaire administration. So, the researcher made a random selection of respondents that questionnaire was sent to from a pool of oil and gas industry personnel, community leaders within the Niger Delta and principal officers from a non-governmental organisation with a focus on the Niger Delta development and environment monitoring.

The sixth and final step involves the evaluation and interpretation of the hypotheses to obtain a holistic view of the research outcome. At this stage, the interpretation of the results and discussion should help the researcher to provide answers to the research questions as well as provoke discussions on the theoretical and practical implications of the research findings. The practical implications may involve proffering some recommendations on best practices and a set of rules for various stakeholders on FDI for economic and other benefits. The results and recommendations are presented in a chapter on research findings and discussions.

5.6. Research Design

A research design is a plan for empirical research that helps to create a bridge between research questions and empirical data collected in the process of the research. It involves the choice of tools and methods carefully selected to meet the research objectives and answer the research questions. Simply put, the research questions determine the research design, which in turn fits the data collected. According to Bryman and Bell (2011), a research design is a plan for

execution or a framework which guides research methods. Some examples of research design that can be adopted include ex-post facto, longitudinal design, case study, experimental design, survey design, cross-sectional and comparative research design. In contrast, a research method describes various options for data collection using various instruments such as questionnaires, observation, structured interview guide and document review (Bryman and Bell, 2011).

In this study, the ex post facto research design is adopted. The ex post facto research design involves the collection and analysis of historical data.

Ex post facto design is a quasi-experimental study in which the researcher examines how some variables observed before the study population affect others (Cohen, Manion and Morrison, 2002). In carrying out an ex post facto research design, a well-structured data collection process is required throughout the research, but care should be taken to ensure that antecedents of events that occurred in the past cannot be influenced by the researcher. In using ex post facto research, the researcher examines retrospectively the effects of naturally occurring events on another outcome which occurred later to establish a cause-effect or correlational relationships between them (Brooks, 2002).

Typically, existing or secondary data are usually used in ex post facto research. One of the advantages of using ex post facto design is that the data is available and thus saves the researcher time and resources in data collection. This

research used secondary data from ex post facto research design. Ex post facto research design is ideal in a situation where it is impossible to manipulate the behaviours of human participants. Primary data from survey questionnaires were also used to supplement the potential pitfalls from the secondary data.

5.7 Nature and Sources of Data

In line with the ex post facto research design, a decision on the sources of data and methods need to be made. This should be consistent with the research objectives and expected outcomes. The data sources that suited this research objective are time-series data justifying the adoption of ex post facto research design. The analysis of the information was carried out through cointegration and Ordinary Least Squares (OLS) regression. Two significant sources of data were used, namely primary and secondary sources of data.

Given the quantitative nature of data requirements to achieve the research objectives, quantitative data were required to be used to assess the impact of resource-seeking FDI in the Niger Delta on economic growth in Nigeria.

The independent variables are Resource-Seeking FDI in the Niger Delta (RSFDI), employment in the Niger Delta (EMP), welfare or standard of living in the Niger Delta measured by per capita income (WEL), and infrastructural facilities in the Niger Delta (INFRA). The data were collected from the relevant ministries in the Niger Delta States using structured questionnaires. Eight hundred questionnaires were distributed to Niger Delta states through email and monkey survey, and I received 500 responses, which is 62.5% response

rate. Specific Niger Delta institutions that data was collected from including the Federal Ministry of Niger Delta Affairs, the Niger Delta Development Commission (NDDC), oil and gas companies, and non-governmental organisations.

The model for this research was drawn from the Market Imperfection Theory because it represents the closest explanation to the study of the impact of resource-seeking FDI in Niger Delta on economic growth in Nigeria. The market imperfection theory explains multinational corporations who are motivated to seek investment opportunities outside of their original country due to structural imperfection in the destination country (Faeth, 2009). The mathematical model for this study is drawn from an ordinary least squares regression. The mathematical form of the Error Correction Mechanism (ECM) model to be estimated is shown below:

$$GDPT = b_1 + b_2RSFDIt + b_3EMPt + b_4WELt + b_5INFRt + Ut \dots\dots\dots(1)$$

GDP means Gross Domestic Product – Dependent variable

RSFDI means Resource Seeking Foreign Direct Investment.

EMP is employment, obtained from published records by the National Bureau of Statistics, Nigeria.

WEL is Welfare, which is measured by per capita income.

INFR is infrastructure measured by Gross fixed capital formation (GFCF)

Ut in the equation signified error term.

Equation 1 can be re-written as:

$$U_t =$$

$$GDP_t - b_1 - b_2RSFDIt - b_3EMP_t - b_4WEL_t -$$

$$b_5INFRT \dots\dots\dots 2$$

The equilibrium error term links the short-run behaviour of GDP to its long-run value.

The relationship between the dependent variable and the independent variables can be expressed as an ECM:

$$DGDP_t = \alpha_0 + \alpha_1DRSFDIt + \alpha_2DEMP_t + \alpha_3DWEL_t + \alpha_4DINFRT + \alpha_5U_{t-1} + e_t$$

$$\dots\dots 3$$

Where D denotes the first difference operator, and e_t is a random error term.

Recall that:

$$U_t =$$

$$GDP_t - b_1 - b_2RSFDIt - b_3EMP_t - b_4WEL_t -$$

$$b_5INFRT$$

Thus equation 3 forms the basis of estimations.

5.8 Research Population, Sample and Sampling Procedure

In an ideal world, it would be possible to collect data from all members of the population. However, in real life, this is not feasible within the time and resource limitations of the research. Therefore, a detailed and careful selection of the research population is required from the entire population. This helps to

ensure that research outcomes have measures of validity and to make conclusions or generalisations of the results that be applied to a wider population.

A sampling technique helps to achieve a reduction in the amount of data to be collected (Saunders, Lewis and Thornhill, 2009). There are some reliable methods and rules for selecting a sample from a population. First, the larger the sample size, the more reliable is the generalisation that can be made from it. Furthermore, sampling can be carried out using either a probabilistic or non-probabilistic approach (Saunders, Lewis and Thornhill, 2003). Probabilistic sampling in the form of sampling, which ensures a random selection of units from the population to improve the probabilities of their selection. Examples of probabilistic sampling include simple random sampling, stratified random sampling, systemic random sampling, cluster random sampling and multi-stage sampling. Non-probabilistic sampling technique involves the selection of a portion of the finite population being studied using subjective methods to decide which elements are included in the sample. Example of a non-probabilistic sampling technique includes quota sampling, purposive sampling and convenience sampling.

To collect data from the study population, a sampling approach is often required because it is often not practical to reach all subject or participants due to cost, practicality and time constraints (Creswell, 2003). A sampling procedure is a process of selecting a part of the entire population to collect

data which can be analysed to draw conclusions about the entire population. Therefore, the sampling procedure influences the level of representativeness and reliability of the inference drawn from the research findings (Bryman and Bell, 2011). In this study, simple random sampling was adopted. In a simple random sample, every subject has the same chance of being selected for a study. The sample is all the states in the Niger Delta region of Nigeria. The main sources of data are secondary data obtained from reliable sources such as government and international institutions' archives and records. Population sample used for the primary data questionnaire was drawn from a random selection of oil and gas professionals, community leaders in the Niger Delta and principal officers within the non-governmental organisations working on Niger Delta issues and from officials of the Federal Ministry of Niger Delta Affairs and the NDDC.

5.9 Pilot study

The research is about RSFDI in the Niger Delta and Economic growth in Nigeria. There are lots of factors which contribute to economic growth. So, there is a need to check the importance of these factors separately. These tests provide not only statistical information but also show that the objectives of the research are achievable. Firstly, some copies of the questionnaire were sent to about twenty staff and fellow researchers of Abertay University, Dundee for assessment and clarification. Secondly, questionnaires sent to managers of the oil and gas community in Niger Delta and thirdly, fifty dummy questionnaires were sent to community leaders and leaders of NGO organisations in the Niger

Delta. I got feedback and suggestions on amendments to the inquiry which, I incorporated in the final research questionnaire.

Cronbach alpha was used during the pre-test to improve the validity and reliability of the research.

5.10 Data Analysis – Estimation Techniques

Parameters can be described as descriptive measures of an entire population because it is not practicable to measure and evaluate the whole population. Parameters are fixed constants which do not vary like variables and can, therefore, serve as input for generating the distribution curve from limited data through random sampling of the population. Through the statistical analysis, estimates of parameters (called sample statistics) from the population are carried out as well as the margin of error linked to the parameters. One of the parameter estimates is point estimates which are typically a single predictable value of a parameter. For example, the sample mean is a point estimate for the population mean. Another population parameter is confidence intervals which denote a range of values most likely to contain the population parameter.

In carrying out a parameter estimation, one assumption is that all the variables included in the regression equation are stationary. However, in reality, most time series analysis is not stationary, thus limiting the meaning derivable from this estimation technique. To address this gap, the differences between the two-time series are mechanically taken, but this approach does not consider

the data outside the scope selected. Newer models, such as cointegration and error correction methods can address these challenges. Examples of parameter estimation include regression methods, cointegration based techniques and the Johansen technique. Of importance among the cointegration based approaches is the Johansen technique which applies to multivariate models (Johansen, 1991; 1995) and thus has been adopted for this study.

Johansen cointegration technique is a very important tool in parameter estimation, especially for time series data because it retains the intrinsic time-series properties of the data, thus capturing estimates of all cointegration relationships in both non-stationary and stationary variables (Harris, 1995). Johansen techniques have some advantages over other cointegration techniques such as estimation of dynamic error specification (covering long run and short-run dynamics). A first step in the implementation of the Johansen technique is the determination of the order of integration of all variables (Harris,1995; Seddighi, Lawler and Katos, 2000). The second step involves conducting cointegration tests to identify normal long-run relationships in the variables and subsequently estimate using a short-run vector error correction model and ending with residual diagnostics checks (Harris, 1995).

5.10.1 Testing for Stationarity / Unit Root

According to Gujarati (2003), on the one hand, stationary series has a constant variance and mean over time and a covariance calculated using two different

periods at a distance between them. The order of integration, which refers to the number of unit roots in the series required to create a stationary variable that will be used in the estimation. Stationary variables are closely associated with the classical regression model. However, economic indicators are closely associated with non-stationary variables. Thus, Gujarati (2003) argued that in a non-stationary process, a dependent variable produces wrong or unexpected results with the similar trend as explanatory variables producing absurd results. In this situation, a high R squared or the coefficient of determinant; significant t-ratios will result despite different trending variables. Thus, conducting stationarity tests is necessary on all variables before estimation of parameters and conducting cointegration tests. Examples of stationarity tests include unit root tests such as augmented Dickey-Fuller (ADF) and visual data plot. The essence of conducting unit root test for a data set is to ensure that it is adequately suited for the research. In this study, the augmented Dickey-Fuller (ADF) unit root test is adopted in stationarity testing. The unit root test for this research is presented in section 6.2 of chapter 6.

5.10.2 Dickey-Fuller and the Augmented Dickey-Fuller Tests

Augmented Dickey-Fuller (ADF) test is a unit root test conducted to evaluate the stationarity of a time series which conforms to the following equation:

$$\Delta y_t = c_1 + c_2t + \omega y_{t-1} + v_t \dots\dots\dots (1)$$

In equation (1), above:

y_t represent the relevant time series,

t is a linear trend

Δ is the first difference operator, and v_t is the error term.

To have unbiased results, the error time should be assumed normal, having a constant error variance with independent (non-correlated) error terms and having dependent error terms produce a biased DF test. Thus, the drawback of the DF test is a non-consideration of auto-correlation in the error term (v). Therefore, to address this weakness, an ADF is employed. The ADF test introduces a correction factor (called a lagged differential term) for higher-order correlation series on the right hand of the DF equation (1) resulting in the ADF equation: Equation 2

It is also possible to estimate the two equations without a trend term. This is carried out by deleting both the trend term c_2t in the equation and constant c in the equation. Consequently, the null hypothesis is that a unit root is present in the time series (non-stationary time series), where:

$H_0: w = 0$ against the alternative hypothesis that the time series is stationary
 $1(0)$ otherwise:

$H_a: w < 0$. I

MacKinnon's (1991) critical values is a reliable method in which there is less chance to make wrong considerations and facts because it is controlled by the computer system. There is a need to use some critical values for getting the idea and data about the research which cannot be possible without MacKinnon critical values because it provides the help of a computer with critical values.

MacKinnon's critical values are computer-simulated tables of essential values for some successful tests of cointegration and unit-roots for testing the null hypothesis (MacKinnon, 1991). In carrying out both tests, assuming the resultant figures from the calculation is less than the MacKinnon critical values (in absolute terms) then the null hypothesis is accepted which implies the presence of unit root in the series (a stationary time series). The hypothesis is rejected if, on the other hand, the calculation is higher than the MacKinnon critical values (MacKinnon, 1991; 1996). In other words, the DF test often fails to detect a false null hypothesis. Thus, Brooks (2002) and Gujarati (2003) posit that unit root tests have low accuracy in a stationary process to the non-stationary boundary. A unit root test can have lower power in comparison to other options. This brings up another criticism of the unit root test, which does not consider its relatively low strength in testing for stationarity of data. And, also the limitation the tool imposes in the case of finite data sample could lead to misinformation (Narayan and Liu, 2015). The low power rating of DF test makes it lack the capacity to detect stationarity in a time series of a stationary process (Thomas, 1997). Therefore, to address this problem, it is advisable to increase the sample size or use a stationary test (without increasing the sample size).

5.10.3 Cointegration and vector error correction modelling

An important step in the time series analysis is the carrying out of the integration of all series of interest in the same order, which is the most preferable as order one-1(1). This makes it possible to carry out standard

regression and statistical inference without the problem of spurious regression if time-series display level stationarity in which as it is ordered zero $I(0)$. In contrast, integrating in a different order requires incorporating the differential of all variables in the regression analysis.

Regarding the equation $I(1)$ or both $I(2)$, estimating regression based on first differential variables may lead to an error of lack of clarity and missing long-run information contained in the data. In contrast, Harris (1995), argued that all variables do not need to have the same order of integration. However, according to a priori theory, such variables should be incorporated. Thus cointegration is possible by combining $I(0)$, $I(1)$ and $I(2)$. In this situation, a linear combination of two variables that are $I(1)$ leads to $I(1)$. Generally, combining variables with a different order of integration leads to a higher figure. This is because integrating two variables will lead to double integrals (Brooks, 2002). An exception to this rule occurs in a cointegration time series in which linear combination of $I(1)$ variables produces $I(0)$, thus a stationary series, as cointegration variables. In this situation, joint trending (synchronisation) of both variables is observed in a stochastic fashion, according to Gujarati (1995). Therefore, two or more time-series linearly combined can be stationary despite being individually non-stationary.

In practical terms, cointegration has some economic implications. For example, market forces can have influences on some non-stationary time series, thus making them have some relationship in the long run (Brooks 2002). Thus, a

cointegration relationship can be observed in a long-term economic situation or equilibrium phenomenon such that short time deviations auto-corrects in the long run. This is of particular application in the study of the impact of FDI on various variables under study over a period of time. In this study, Vector Autoregressive system based on Johansen techniques is adopted. Johansen techniques were developed to confirm the cointegration of variables in models and form the basis of the vector error.

Johansen methodology is described in the following equation:

Assume a vector: X_t (LGDP, LRSFDI, LEMP, LWEL, LINFR) and

Also, assume that the vector has a VAR representation:

$$X_t = z + \sum_{i=1}^p \Pi_i X_{t-i} + \varepsilon_t \dots\dots\dots (3)$$

where z is a $(n \times 1)$ vector of deterministic variables, ε is a $(n \times 1)$ vector of white noise error terms, and Π is a $(n \times n)$ matrix of coefficients.

Applying the Johansen test, the VAR stated above is converted into a VECM specification (Brooks, 2002), as:

$$X_t = z + \sum_{i=1}^{p-1} B_i \Delta X_{t-i} + \Pi X_{t-1} + \varepsilon_t \dots\dots\dots (4)$$

Where:

X_t = vector of $I(1)$ variables

ΔX_t are all $I(0)$ variables,

Δ = first difference operator,

B_i is a $(n \times n)$ coefficient matrix and

Π is an $(n \times n)$ matrix whose rank determines the number of cointegrating relationships.

In applying Johansen's cointegration test, Brooks (2002) posited that it is possible to estimate the ranking of Π the matrix (r) relative to an unrestricted VAR. It is also possible to test the imposition of restrictions occasioned by the declining rank of Π (Brooks, 2002).

In a situation where Π is of full rank ($r = n$), this implies that the variables are level stationery. However, where Π is of zero ranks ($r = 0$), it can be concluded that there is no cointegration between the variables. Conversely, if Π is of reduced rank ($r < n$), this implies that there exist $(n \times r)$ matrices α and β such that:

$\Pi = \alpha\beta' \dots\dots\dots$ <p style="text-align: center;">(5)</p>

In this situation α accounts for the speed of the adjustment matrix. In other words, the response speed of deviations from the equilibrium relationship and β is a matrix of long-run coefficients. Brooks (2002) argued that Johansen's test could affect the length of use in VECM. So, it is essential to choose the length of the layer. The most important and long-term selection will comprise

the number and synonymous relationship that is full of prioritisation of economic information (Seddighi, Lawler and Katos, 2000). However, Brooks (2002) stressed that the economic statement often provides information about the duration of the VAR and the timing of a change in demand and procedure. Brooks (2002) suggests using various versions of the information, including changes in orderly change. However, the information feature creates a VAR control option. In these cases, both information and information on economic systems is used to select the VAR method.

The choice of appropriate assumption is another challenge with the Johansen test. To do this, several trends /assumptions are tested, and the best choice is made on its sensitivity and specificity. At the end of determining the appropriate order (k), trend assumption choice, it is possible to test the rank of the Π matrix. In this regard, two likelihood ratios (LR) are employed to test statistics for cointegration under the Johansen test. At the end of the estimation, the results from the VECM are analysed for normality through diagnostics test of autocorrelation, which is explained in the next section. Cointegration for data time series is presented in section 6.3 of chapter 6.

5.11 Data analysis - Diagnostic Checks

This phase is very important in studying the impact of RSFDI in the Niger Delta region on economic growth in Nigeria because it confirms the outcome of the parameter achieved by the Error correction (ECM) model. Diagnostic controls investigate stochastic attributes of the model, such as residual auto-

correlation, heteroskedasticity and normality, etc. The multivariate extensions of the residual tests mentioned above are only applicable to this study. A brief discussion of these is contained in the next sections. To get information about economic development, there is a need to discuss the role of RSFDI and the other factors for economic growth.

5.11.1 Auto-correlation LM Test

A very important multivariate test for data conformity to serial correlation is called auto-correlation or Lagrange Multiplier (LM). This is carried out on the specified lag order, and in line with Harris (1995), the lag order covering this test should be related to the VAR.

In choosing the lag order, a run is carried out of an auxiliary regression of the residuals (μ_t) on the original right-hand explanatory variables and the lagged residuals (μ_{t-m}) as presented by Johansen (1995).

5.11.2 Residual Normality Test

The reason for undertaking the normality test is to check if the distribution of data is even. This ensures that the output of t-test and F-test are accurate. Residual normality test is among the statistical tests which are used to analyse the data and provide information about the positivity or negativity of the research. In this research, there are different uses, and all of these give the idea about economic development and growth by making different slopes in the form of graphs etc. Normality test is applied to the residuals from a linear regression model to ensure normal distribution. If the residuals are not

normally distributed, they cannot be applied in other tests like chi-square, t-test or F-test. Again, explanatory variables in the research may produce spurious results if the residuals from a regression model are not normally distributed. The graphical method is one of the ways residual normal test can be done. Here, normality can be compared to a normal probability curve. The data distribution on the histogram will have to be properly shaped and look like a normal distribution.

5.11.3 Impulse Response and Variance Decomposition

One of the interesting questions is how economic growth responds to the shocks of one of the variables such as infrastructure, employment and welfare, and which shock is the most important and how long on the average it will take for economic growth to restore equilibrium or balance after such a change. Later, the F-test and the causality test in a VAR will indicate the model that is statistically within the identified variables. Though, a positive or negative result for the variables cannot be identified as a result of undertaking these tests (Brooks, 2002). To address this gap, Mellander, Vredin and Warne (1992) have developed impulse avoidance and error variance decomposition analyses for use in a VAR process with co-integrated variables. There is a need to focus on solid statistical tools because of the importance of economic development for the country. That is why impulse response and variance decomposition is discussed for making the research reliable and credible.

5.11.4 Variance Decomposition Analysis

Variance decompositions analysis provides a linkage between economic growth and Resource-Seeking Foreign Direct Investment (RSFDI). It helps to analyse the measure of the degree of error in the forecast and other variables. Variance decomposition shows the extent to which future uncertainty, for a time series, is due to shocks in another time series in a determined system. It also indicates which among the independent variables has the greatest effect when explaining the variances in the dependent variable over a period.

Different Vector Error Correction Mechanism agreements can provide information about our social and cultural needs. Hence, variance decompositions give rise to the part of the changes in the predictor variables which are due to their shock (innovations), compared to the traumas of other variables (Brooks, 2002). Brooks also observes that various versions describe editions of VAR. The factorisation process and the information used for estimates and automatic responses are put into different submissions. Variance decomposition analysis is presented in section 6.9 of chapter 6.

5.11.5 Hypotheses Testing and Analysis of Research Data

In chapter four, hypotheses were developed from the literature review as interrelated variables through which the researcher aims to provide a solution to the research problems. These hypotheses will be tested in the next chapter. The first hypothesis will test the relationship between FDI and employment generation, the second hypothesis will test the relationship between FDI and

infrastructure facilities, the third hypothesis will test the relationship between FDI and the welfare of the people, and finally, the last hypothesis examines the relationship between FDI and economic growth. Both secondary and primary data were collected for the research. Secondary data collected for the research include GDP growth rate, Income per capita, GFCF, RSFDI, and Unemployment rates. The primary data was collected through a questionnaire on the effect of FDI on employment generation, infrastructure facilities and welfare of the people in the Niger Delta region Nigeria. Both data types were analysed in the next chapter using the ordinary least square regression. Data were tested for normality and adequacy using various tools identified in the previous section before they were applied to the ordinary least square regression from which conclusions can be drawn. The analytical software that is used in analysing the research data is the latest IBM SPSS Amos 23.

5.12 Reliability Issues

According to Creswell (2014), a reliability test is the degree of consistency of the findings by another researcher when following similar research framework and representative of the research population. Reliability of the research instrument to confirm consistency is obtained by retesting the instrument, in this case, the research questionnaire, to ensure the expected outcome is comparatively stable (Golafshani, 2003). Reliability also confirms the extent to which data collection procedures can be repeated with comparable results (Yin, 2003). One way in which the reliability of data can be assured is through evaluating and selecting a good source and ensuring the authenticity of the

data source (Saunders, Lewis and Thornhill, 2003). In this study, the researcher used published official records and reliable sources of data whose authenticity can be relied upon.

Also, to check whether an instrument meets the reliability requirements, the Cronbach test is applied to the result of the correlation measurements (Eisinga, Grotenbuis and Pelzer, 2013). The Cronbach test uses a range of 0 to 1 to measure the reliability of the data with the acceptance limit set at 0.7 and higher. Cronbach's approach is used to verify the reliability of the research questionnaire as soon as it is designed.

5.13 Validity Issues

Research validity ensures that the interpretation derived from the research data provides the correct results in terms of a specific action that the instrument should achieve. According to Creswell (2014), the validity of the research instrument determines the degree to which the measuring instruments ascertain what is planned. An instrument designed to measure one concept but which ends up measuring another would not be considered a valuable tool (Kimberlin and Winstrstein, 2008).

The validity to ensure the accuracy of the research instrument has two important aspects. First, content validity, which is a test to ensure that the data collection tool contains the variables needed for the search. Second, the conceptual validity, which checks whether it is possible to conclude from the

results of the test carried out. According to Kimberlin and Winstrstein (2008), the validity of the content to which the variables under study are constructed to ensure adequate representation of the study population. The validity of the study is achieved from the design of the research questionnaire by the researcher checking that the questionnaire correctly measures what it intends to measure before sending it to the participants. The researcher used the content validity approach to ensure that the content of the research questionnaire is in line with the research variables. The pilot study conducted helped the researcher in ensuring that the content of the questionnaire is framed such that the individual questions adequately cover related areas for each of the research variables.

5.14 Ethical Considerations

In the design of the research, the researcher considers the interest of those who may respond to the survey and potential ethical issues relating to the research (Berg, 2001; Punch, 2005). In this regard, the confidentiality of the information provided by the research respondents or sources is assured (Creswell, 2014). The respondents had no issues with the nature of the information sought and necessary authorisation to divulge such vital information. Where possible, sensitive questions that may put the organisation at risk were avoided in the research instrument. The researcher is firmly convinced that no ethical issue has been breached as the engagement of research participants followed laid down rules by the institution. To this end, the research instruments were reviewed by a panel of research supervisors

comprising of experienced academics. Moreover, ethical approval was obtained from the Ethics Committee of the Dundee Business School, the University of Abertay, to ensure compliance with the ethical considerations relating to the research. Ethical approval was granted on March 17, 2016.

5.15 Summary

The process of research goes beyond the gathering of information, hence the need to be systematic in the process. This calls for a defined methodology that will guide the research from start to finish. The identification of a research philosophy which shapes a researcher's world view helps the researcher to streamline his/her research to arrive at a valid conclusion. The quantitative research approach was adopted in this study. This was informed by the researcher's decision to utilise quantitative data for the research. The quantitative research method was used in this research with secondary and primary data collected for the purpose. By using primary and secondary data, the researcher can provide a stronger basis for conclusions arrived in the research. The ex-post facto research design was used, and this influenced the design of the survey questionnaire. The pilot study conducted in this research was useful in ensuring effective questionnaire design and the reliability of the research instruments. Various estimation techniques were used to ensure the adequacy of research data before they could be analysed using the ordinarily least squares regression. The content validity approach was used to ensure that the content of the research questionnaire measures up to the requirements of the research variables.

CHAPTER 6

ANALYSIS AND PRESENTATION OF THE DATA

6.1 Introduction

This chapter aims to analyse the data and present the research findings. Two sets of analyses are carried out. The first is the secondary data (ex-post factor) were sourced from the Central Bank of Nigeria, World Economic Indicator, Ministries of Niger Delta and National Bureau of Statistics which comprises of Nigeria's Gross Domestic Product (GDP), Gross Fixed Capital Formation (GFCF), Income per capita (Welfare) and Unemployment rate. In contrast, the second analysis consists of the participants' responses based on the administered questionnaires. Therefore, this chapter six is divided into two sections: Section A contains the analysis of the secondary data obtained from published sources, while section B, shows the analysis obtained from the questionnaire which was administered in the Niger Delta states.

6.2 SECTION A (SECONDARY DATA ANALYSIS)

This section commences with the descriptive statistics of the variables, followed by the estimation procedures, which include the co-integration technique and the Error Correction Mechanism (ECM). The diagnostic checks include the White heteroskedasticity test, Breusch-Godfrey serial correlation Lagrange Multiplier (LM) test and the Normality test. Other tests include the variance decomposition and impulse response tests. This research aims to

critically examine the effects of resource seeking foreign direct investment (RSFDI) in the Niger Delta on Nigeria's economic growth. Economic growth is measured by Gross Domestic Product (GDP). The independent variables considered in this study are income per capita in the Niger delta (representing the standard of living), resource seeking foreign direct investment (RSFDI), Gross Fixed Capital Formation (GFCF) and the unemployment level in the Niger Delta. GDP Growth Rate stands as the dependent variable.

6.2.1 Descriptive Statistics

This section consists of the display of the data used for the study and the descriptive statistics obtained from the data like the minimum value, maximum, mean, median, and so on. It also shows the time plot and histogram of each of the variables.

Table 6.1 below is the data used for this study. It consists of GDP growth rate, income per capita, resource seeking FDI, infrastructure and unemployment rate. The table contains figures from 1994 to 2016.

Table 6.1: Data Presentation

YEAR	GDP GROWTH RATE	INCOME PER CAPITA	RSFDI	INFRA- STRUCTURE	UNEMPLOYMENT RATE
	%	\$	\$Million	\$Million	%
1994	4.250	0.018497	1,960	96,900	11.95
1995	5.260	0.029637	1,080	106,000	12.9
1996	6.020	0.037742	1,590	142,000	13.58
1997	6.550	0.040062	1,540	204,000	13.98
1998	5.180	0.043622	1,050	243,000	13.65
1999	5.890	0.049220	1,000	242,000	13.68
2000	7.030	0.062407	1,440	232,000	13.62
2001	8.580	0.071801	1,190	331,000	13.46
2002	13.66	0.097591	1,870	37,2000	12.48
2003	14.83	0.111757	2,010	500,000	12.43
2004	15.18	0.141980	1,870	866,000	12.58
2005	14.72	0.178091	4,980	860,000	12.93
2006	10.47	0.204102	4,850	804,000	14.54
2007	9.570	0.227557	6,030	1,550,000	14.86
2008	9.050	0.261553	8,200	1,940,000	14.96
2009	8.910	0.286487	8,550	2,050,000	14.84
2010	10.77	0.342165	6,030	3,050,000	13.94

2011	10.73	0.382167	8,840	9,180,000	13.58
2012	10.42	0.421457	7,070	9,900,000	13.22
2013	9.840	0.455874	5,560	10,030,000	12.85
2014	7.800	0.490860	4,660	11,500,000	12.17
2015	7.140	0.502637	3,130	13,600,000	11.91
2016	6.680	0.524785	4,450	14,100,000	11.77

Source: Central Bank of Nigeria, compiled by the author

Nigeria can be characterised as a developing economy with a constantly fluctuating growth rate. The country's economy grew at a rate of 1.94% in 2018 (World Bank, 2019a). The country's GDP per capita is still at a very low level, and this stood at \$2028 as in 2018 (World Bank, 2019b). Unemployment rate as at 3rd quarter of 2019 stood at 23.1% (NBS, 2019). This state of Nigeria's economy is reflected in the figures for the Niger Delta states. Going through the data, it is observed that the unemployment rate is correlated with the economic (GDP) growth rate. The observed trend reveals that the GDP varies in an irregular pattern over the years as it steadily increased from 2002, decreased afterwards and increased again in 2010 to start decreasing until 2016.

Table 6.2: Descriptive statistics of the variables

VARIABLES	GDP GROWTH RATE	RSFDI	INFRA- STRUCTURE	INCOME PER CAPITA	UNEMPLOYMENT RATE
	%	\$	\$	\$	%
Mean	9.066522	3.86E+09	3.57E+12	0.216611	13.29913
Median	8.91	3.13E+09	8.63E+11	0.178091	13.46
Maximum	15.18	8.84E+09	1.41E+13	0.524785	14.96
Minimum	4.25	1.00E+09	9.69E+10	0.018497	11.77
Std. Dev.	3.218515	2.66E+09	4.92E+12	0.175011	0.961722
Skewness	0.529349	0.525109	1.153364	0.495212	0.145144
Kurtosis	2.329935	1.920371	2.623393	1.784756	2.083066
Jarque-Bera	1.50442	2.174034	5.235209	2.355351	0.886492
Probability	0.471324	0.337221	0.072977	0.307994	0.641949
Sum	208.53	8.87E+10	8.21E+13	4.982051	305.88
Sum Sq. Dev.	227.8945	1.56E+20	5.33E+26	0.673834	20.34798
Observations	23	23	23	23	23

Sources: Nigeria Bureau of Statistics, Ministry of the Niger Delta and WDI

Compiled by the author

Table 6.2 above shows the descriptive statistics used for this study. The use of SPSS software helped to scan through the data and return the minimum, the middle value (median), maximum of the values, the number of

observations for each variable to know if all the variables are equally replicated. The table shows that the unemployment rate has the highest average value of 13.29913, while income per capita has the lowest average value of 0.216611. The average value of the GDP growth rate is 9.066522; the RSFDI's average value is 386E+09, and infrastructure has an average value of 3.57E+12. GDP has the highest maximum level of 15.18, while unemployment rate follows with 13.46; the maximum value of RSFDI is 8.84E+09 while the increase in infrastructure is at the maximum value of 1.41E+13, and income has the maximum value of 0.524785.

The overall idea is that there is a relationship between the unemployment rate and the GDP growth rate of the economy, as seen in the statistics above. The lowest GDP growth rate the economy could attain is 4.25% (with 11.77% unemployment rate), while the highest is 15.18% (with 14.96% unemployment rate). The unemployment rate has the highest minimum value of 11.77%, while income per capita has the lowest minimum value of 0.018497, GDP also has the minimum value of 4.25%, RSFDI is at a minimum value of 1.00E+09 and infrastructure is at the minimum value of 9.69E+10. Skewness, which also refers to departure, indicate that infrastructure is skewed with the value 1.153364; GDP also departs with 0.529349; while RSFDI departs with the value of 0.525109; income per capita has 0.495212 departure rate, and unemployment rate departs with 0.145144. Kurtosis, which refers to the peak of the subjects under consideration, indicates that infrastructure has the highest peak at 2.623393 while income per capita has

the lowest peak value at 1.784756. RSFDI is at its peak at 1.920371; GDP is at its peak at 2.329935, and the unemployment rate has its peak at 2.083066. GDP has the uncertainty level of 0.471324; for infrastructure, it is 0.072977; income per capita has the value of 0.307994; while RSFDI and unemployment rate have 0.337221 and 0.641949 respectively as levels of uncertainty.

The median, standard deviation, sum and sum square deviation for GDP are approximately 8.9, 3.2185, 208.5, and 227.895 respectively; for income per capita, I have 0.1781, 0.1750, 4.9821, 0.6738 respectively; for unemployment rate, I have 13.46, 0.9617, 305.9, and 20.35 respectively; for RSFDI, we have 3.13E+09, 2.66E+09, 8.87E+10 and 1.56E+20 respectively; while for infrastructure, we have 8.63E+11, 4.92E+12, 8.21E+13 and 5.33E+26 respectively. The essence of these descriptive statistical values is to give the researcher ideas and information regarding the distribution in terms of figures. It shows the minimum value a variable has ever produced and the maximum value it has produced over time. Having information about all these will help the researcher to get a clearer view of the interplay of the variables and ease the job of analysing data.

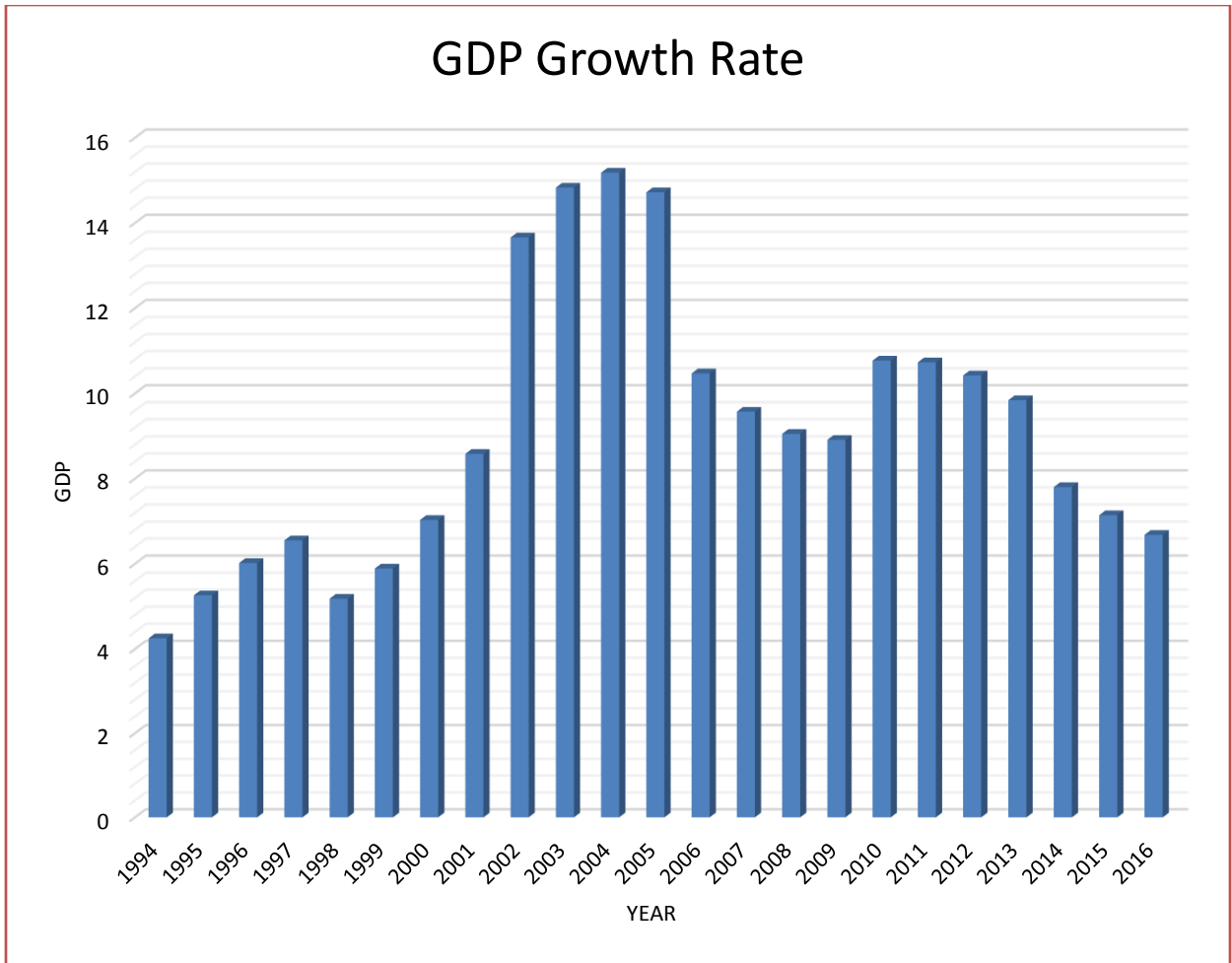


Figure 6.1: Analysis of data series from GDP Growth rate by the author.

Figure 6.1 above shows the histogram of the GDP growth rate in Nigeria. It shows the level of GDP Growth rate for each year, and we can observe that in 2004 GDP was at its highest GDP growth rate while it was at its lowest in 1994. It can be deduced that in earlier years, GDP was quite low compared to the later years though there have been fluctuations in the growth rate. GDP growth rate has since 2012 taken a downturn up till 2016; we can then infer that the GDP growth rate was highest between 2002 and 2005.

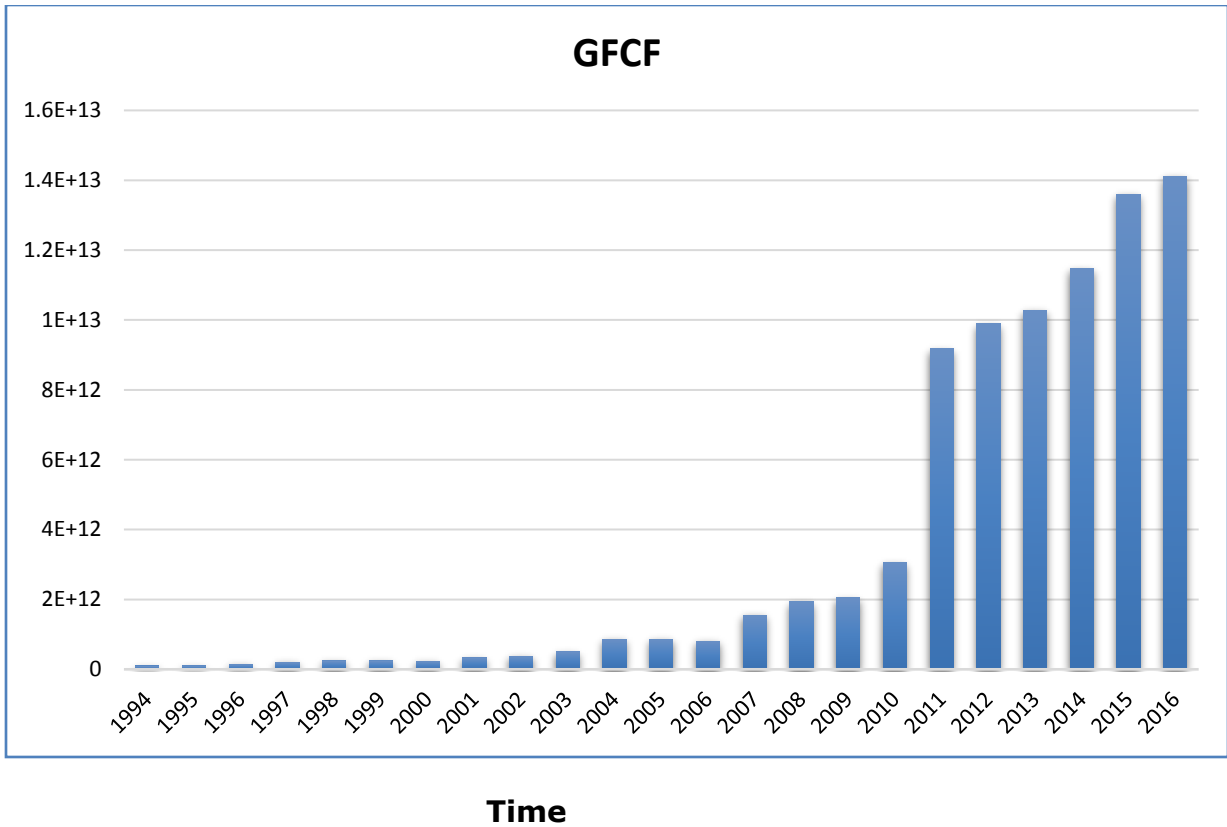


Figure 6.2: Histogram of GFCF Growth rate in Niger Delta by the author.

Figure 6.2 above shows histogram of the GFCF data for the Niger Delta from 1994 to 2016. This data represents the Niger-Delta infrastructural level, plotting GFCF against time. Observing the infrastructure data yearly, we can see from the plot a repeated pattern occurrence in the data for the Niger-Delta from 1994 to 2016. This shows the seasonality of the data. The histogram is a result of plotting GFCF against the years, and GFCF has been increasing every year since 1994 and a very sharp increase is noticed in 2011 as GFCF moves from 3.05058E+12 to 9.18306E+12 and has been increasing since then.

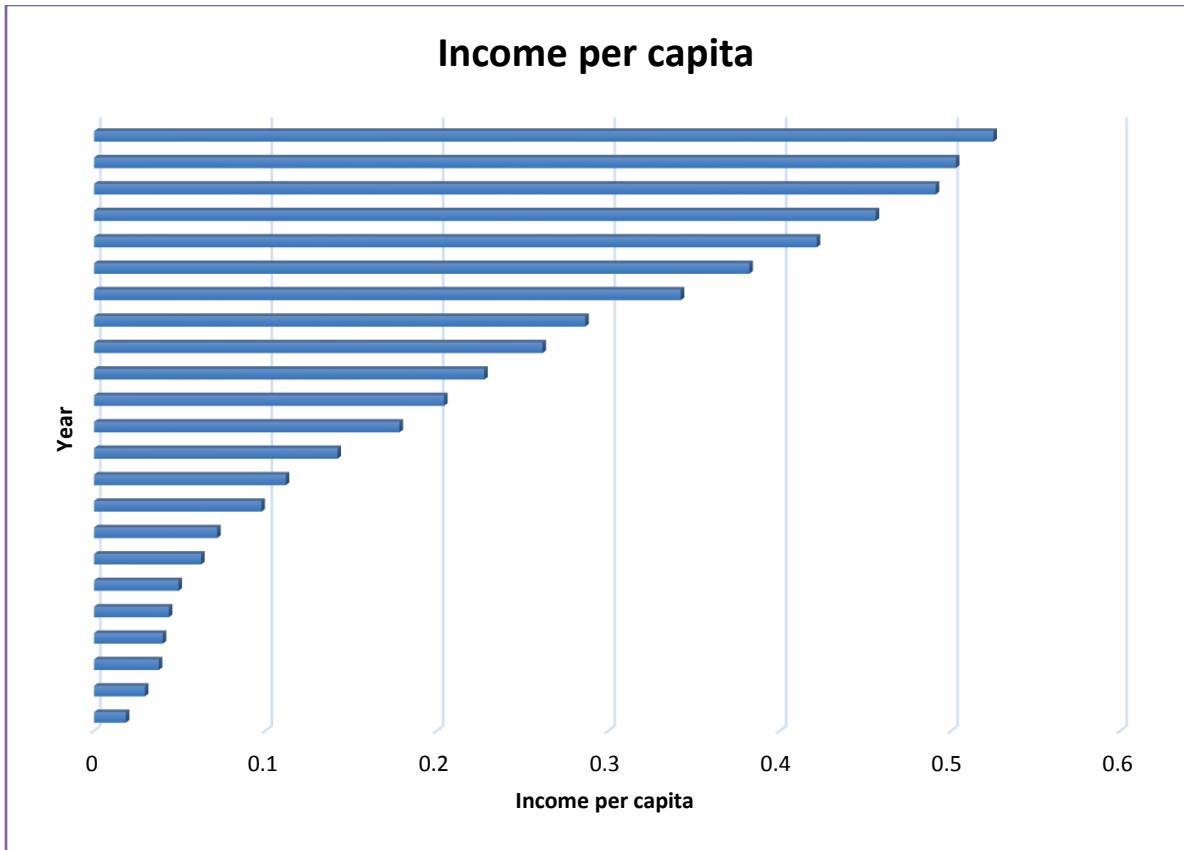


Figure 6.3: Histogram of income per capita in the Niger Delta by the author.

Figure 6.3 shows the histogram for the income per capita for the Niger Delta from 1994 to 2016. This data represents the Niger-Delta standard of living. From the histogram for income per capita of the Niger Delta, we observe a constant increase in the income year after year. We can, therefore, infer that as we move from one year to the other, the standard of living in the Niger Delta kept increasing. What can be inferred from this? Did FDI increase? What is the relationship between earlier inferences about infrastructure, employment and the observed trend of a constant increase in the standard of living?

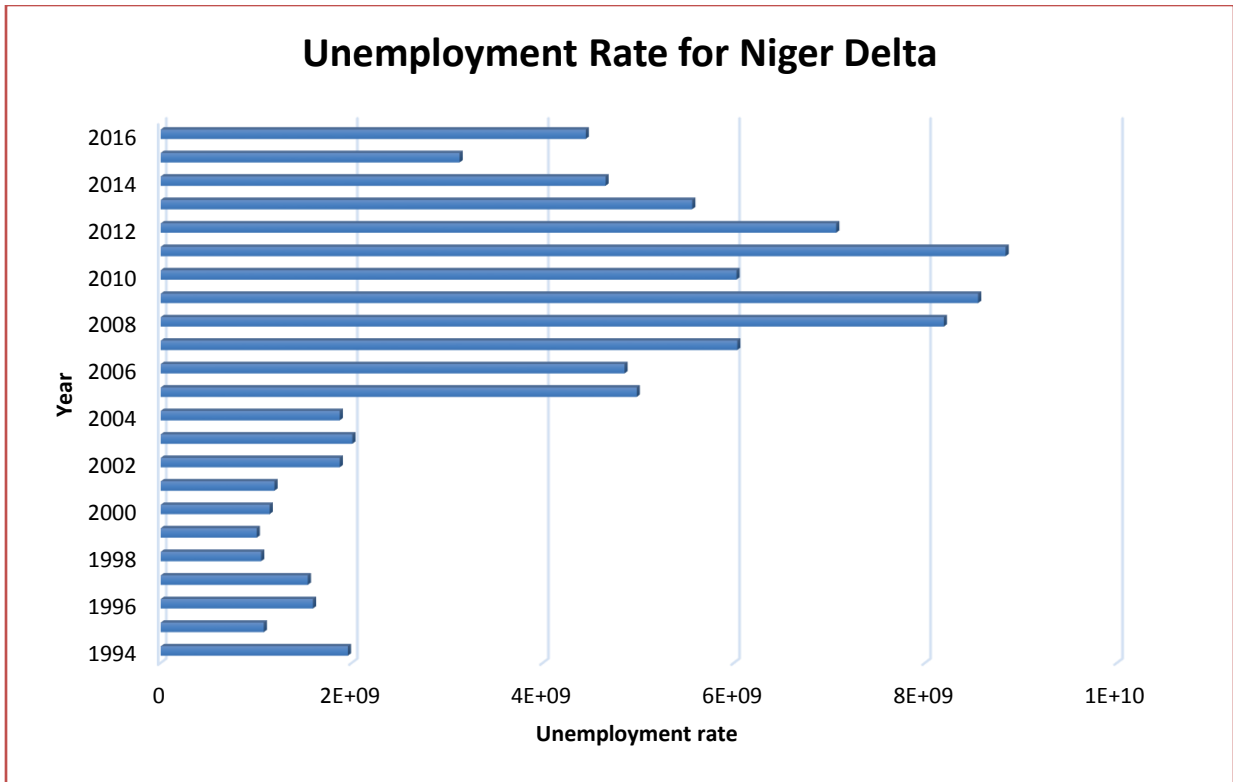


Figure 6.4: Histogram for the Unemployment rate for the Niger Delta by the author.

Figure 6.4 shows the histogram for unemployment rate data in the Niger Delta from 1994 to 2016. This data represents the level of unemployment in the Niger Delta, and it is a yearly data. Therefore, we can infer that unemployment has and still exists in the Niger Delta every year. Looking at the histogram displayed in figure 6.4, we see that the unemployment rate has been fluctuating over the years. However, the highest level of unemployment was recorded in 2011. The implication is that unemployment is on the high side in the Niger Delta region. The lowest unemployment rate between 1994 and 2016 was recorded in 1999. This implies that 1999 was the time more people have

access to getting jobs and also the time the government and private sector players intervened in providing jobs for the unemployed.

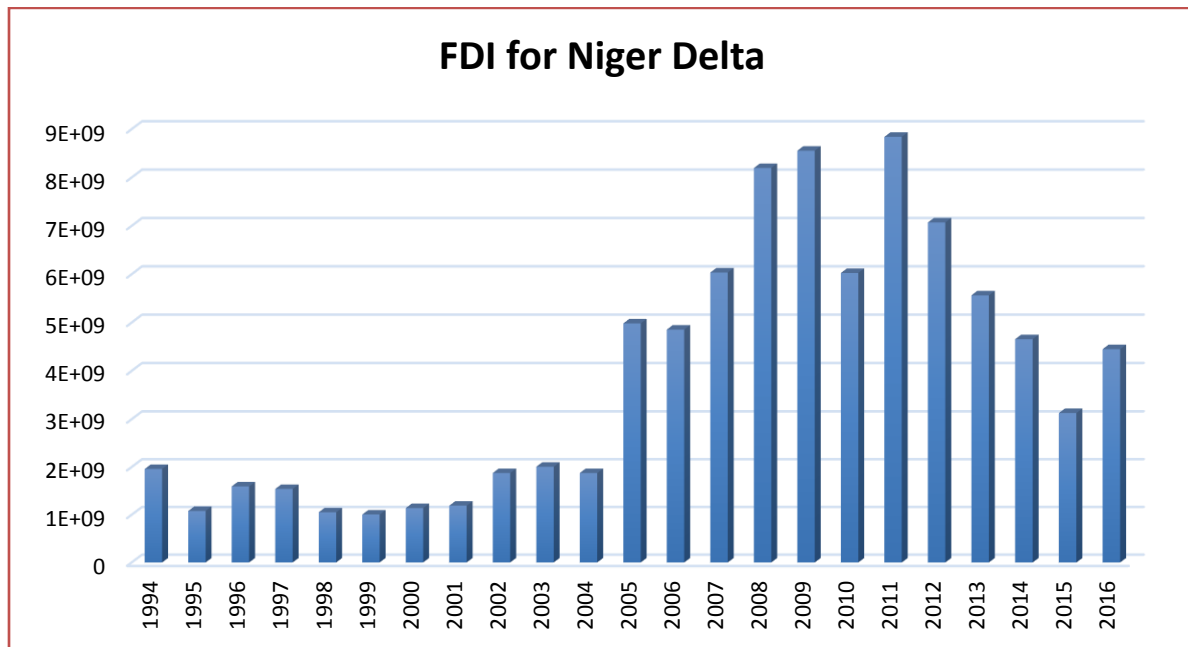


Figure 6.5: Histogram of FDI in Niger Delta by the author.

Figure 6.5 shows the histogram for Resource Seeking FDI in the Niger Delta from 1994 to 2016. The data represent Resource Seeking FDI in the Niger Delta, which is a yearly data. From the histogram of FDI in the Niger Delta displays variations in FDI over the years, it can be observed that from 2005 FDIs have been on the increase until 2016 though with variations also. FDIs were at their peak in 2011, and it kept decreasing after that until an increase was noticed in 2016.

So far, the summaries in terms of figures of all the variables considered in this study have been given. Each variable was expressed in a plot and histogram.

This shows the fluctuations of occurrence of the variables, i.e., the movement and pattern of the variables from 1994 to 2016.

6.3 Unit Root Test

Usually, most economic variables are non-stationary. It is therefore important for the researcher to test for stationarity before generalising any relationships. So, the researcher tested for the presence of unit roots using the Augmented Dickey-Fuller tests (Dickey and Fuller, 1979), PP and KPSS at the first instance. The test reveals that all the variables are non-stationary. To achieve stationarity, the data is transformed after being differenced. Differencing is a method used in transforming non-stationary data to stationary data (Alijani and Vafakhah, 2018). Granger and Newbold (1974) note that the regression results from the VECM models of the Granger causality tests using non-stationary variables would be spurious. To avoid this, regression is run on the data that has been made stationary with the differencing technique. The result of the test proves that the series is normally distributed at a 5% significance level.

Having described the characteristics of the data, testing the order of integration using the ADF, PP and KPSS unit root tests were undertaken. The results of the unit root test are reported in the tables below.

Table 6.3: Unit Root Test with ADF

Variable	Level	First diff.	5% Crit. Value	1% Crit. Value	Int. Order
RGDP	-1.9206	-2.0006	0.6026	0.5722	I(1)
WEL	-2.9966	-2.5963	0.1927	0.3452	I(1)
FDI	-1.0583	-0.9522	0.912	0.9276	I(1)
INFR	-0.6596	-0.7892	0.9617	0.9509	I(1)
UMP	-2.2131	-2.148	0.4912	0.516	I(1)

Table 6.4: Unit Root Test with PP

Variable	Level	First diff.	5% Crit. Value	1% Crit. Value	Int. Order
RGDP	-4.5392	-4.5957	0.8411	0.8373	I(1)
WEL	-2.8264	-3.4498	0.9362	0.9091	I(1)
FDI	-5.9526	-0.5072	0.7464	0.8054	I(1)
INFR	-1.756	-2.008	0.9692	0.9628	I(1)
UMP	-6.5531	-5.6161	0.7062	0.7689	I(1)

Table 6.5: Unit Root Test with KPSS

Variable	Level	First diff.	5% Crit. Value	1% Crit. Value	Int. Order
RGDP	0.32031	0.2528	0.3421	0.3322	I(1)

WEL	1.1863	1.1451	0.2542	0.2240	I(1)
FDI	0.79806	0.76896	0.6423	0.6155	I(1)
INFR	0.95226	0.93362	0.7233	0.7112	I(1)
UMP	0.15576	0.18611	0.7325	0.7229	I(1)

The results of the three unit-root tests are reported above. At the 1% significance level, the results of the ADF unit root test suggest that all variables are integrated of order one, $I(1)$ process. The absolute value of the ADF test is greater than the absolute critical value at 1%. Hence, they are stationary. However, the PP and KPSS unit root tests show that all variables are stationary at the first difference at 1% and 5% significance levels. As noted in the earlier section, the ADF test often has weak power when the sample size of a study is small, so the use of the results provided by PP and KPSS unit root tests is preferred, for this reason, we surmised that the variables could be well characterised as $I(1)$ process.

Note: The values in brackets are the significant values at 5% and 1%. The optimal lag order for ADF test is determined by AIC, while the bandwidths for PP and KPSS tests are determined by using the Dickey-Fuller $Z(\alpha)$ and KPSS Level respectively. Since the problem of the ADF test is a sample size and using other stationarity test helped without changing the sample size, then we move further by doing the Johansen Co-integration test and vector error correction modelling.

The unit root test helps researchers to understand the stationarity status of their variables. Modelling cannot be done with a time series data unless the data has been confirmed stationary, i.e. having constant mean over time. Unit root tells the order of stationarity and at what level the stationarity state is obtained in the data. It is only after the unit root test has been carried out on the data that the researcher can now go-ahead to use the data for whatever modelling he wants.

6.3.1 Co-integration and vector error correction modelling (VECM)

VECM is a form of error correction model that applies limited vector autoregressive to be used in variables that are not stationary are cointegrated. The VECM produces two distinct reports. The first reports output the initial level of the Johanson test. The second report shows the result of step two of the VAR within the initial variances. Essentially, A VECM is used in when it has been established that a long-run relationship exists between the variables of interest.

Table 6.6: Co-integration Test

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesised		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.982426	80.82704	27.58434	0.0000
At most 1 *	0.835652	36.11533	21.13162	0.0002

At most 2	0.398981	10.18259	14.26460	0.2002
At most 3	0.005078	0.101815	3.841466	0.7497
Maximum eigenvalue test indicates 2 co-integrating Eqn. (s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Unrestricted Co-integration Rank Test (Trace)				
Hypothesised		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.982426	127.2268	47.85613	0.0000
At most 1 *	0.835652	46.39973	29.79707	0.0003
At most 2	0.398981	10.28440	15.49471	0.2595
At most 3	0.005078	0.101815	3.841466	0.7497
Trace test indicates two co-integrating Eqn. (s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Table 6.6 above shows the trace and maximum eigenvalue statistics for determining the number of cointegrating vectors (rank) using Johansen's maximum likelihood approach. The hypotheses state that there is no co-integration and then that there is co-integration. The first is the null hypothesis, while the latter is referred to as the alternative hypothesis. According to test results, since trace statistics are above the 95% critical value of 127.2268, 46.39973, 10.28440 (except for 0.101815 respectively) and

maximum eigenvalue statistics are above the 95% critical value of 80.82704, 36.11533, 10.18259 (except for 0.101815), the null hypothesis of $r = 0$ is rejected. This means that there are two co-integrating relationships among the variables. The hypotheses are that r is not equal to zero against $r = 0$. The first is the null hypothesis, and the latter is the alternative hypothesis. From the significant value produced above (0.000 and 0.0003), this implies at most two co-integrated variables. When non-stationary variables are found to be co-integrated, the conventional solution is to estimate an error correction model (Engle and Granger, 1987).

Table 6.7: Vector error correction modelling (VECM)

VEC Granger Causality/Block Exogeneity Wald Tests			
Dependent variable: D(INCOME_PER_CAPITA)			
Excluded	Chi-sq.	Df	Prob.
D(FDI)	2.152596	2	0.3409
D(GFCF)	6.745775	2	0.0343
D(UNEMPLOYMENT_ RATE)	1.416591	2	0.4925
All	11.93298	6	0.0635
Dependent variable: D(FDI)			
Excluded	Chi-sq.	Df	Prob.

D(INCOME_PER_CA PITA)	3.810461	2	0.1488
D(GFCF)	3.458136	2	0.1774
D(UNEMPLOYMENT_ RATE)	5.713692	2	0.0574
All	7.524108	6	0.2751
Dependent variable: D(GFCF)			
Excluded	Chi-sq.	Df	Prob.
D(INCOME_PER_CA PITA)	5.062427	2	0.0796
D(FDI)	13.38741	2	0.0012
D(UNEMPLOYMENT_ RATE)	0.486932	2	0.7839
All	24.34833	6	0.0005
Dependent variable: D(UNEMPLOYMENT_RATE)			
Excluded	Chi-sq.	Df	Prob.
D(INCOME_PER_CA PITA)	1.324822	2	0.5156
D(FDI)	3.314711	2	0.1906
D(GFCF)	1.491242	2	0.4744
All	6.746368	6	0.3449

Granger-causality test based on the VEC model is carried out to obtain the long-run relationship that exists these three variables. VEC is estimated if no trend is observed in the variables. This is undertaken after observing the three co-integrating equations among the three variables. Two potential cause of relationship exists within the VEC model. First is the error factor indicating long-run relationship and secondly, lagged independent variable, which shows the short-run relationship. The VEC computation results show that the coefficients for all variables are statistically significant. The income per capita and GFCF contribute to GDP rate in Nigeria according to the normalized equation.

6.2.2 Diagnostic Checks

This test checks for heteroskedasticity (differently scattered) variables. If the variables are differently scattered, they will not be suitable for model estimation.

Table 6.8: Autocorrelation LM Test

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	3.074721	Prob. F(2,16)		0.0741
Obs*R-squared	6.385587	Prob. Chi-Square(2)		0.0411
Variable	Coefficien t	Std. Error	t-Statistic	Prob.

C	- 6.348229	11.12131	-0.570817	0.5761
INCOME_PER_CAPIT A	- 4.646049	14.63041	-0.317561	0.7549
FDI	-6.52E-11	4.08E-10	-0.160001	0.8749
GFCF	2.11E-13	4.67E-13	0.450697	0.6583
UNEMPLOYMENT_RA TE	0.513116	0.872277	0.588249	0.5646
RESID(-1)	0.609067	0.249664	2.439551	0.0267
RESID(-2)	- 0.140743	0.283245	-0.496895	0.6260
R-squared	0.277634	Mean dependent var		-1.34E- 14
Adjusted R-squared	0.006747	S.D. dependent var		2.29310 6
S.E. of regression	2.285358	Akaike info criterion		4.73671 2
Sum squared residue	83.56574	Schwarz criterion		5.08229 7
Log-likelihood	- 47.47219	Hannan-Quinn criterion.		4.82362 6
F-statistic	1.024907	Durbin-Watson stat		1.49599
Prob (F-statistic)	0.444547			4

Table 6.8 above shows the Breusch-Godfrey Serial Correlation LM Test performed to test if the variables under consideration have the same variances or different variances. From the result above, we could see the output which shows the coefficient values of the variables, standard errors, t-statistics and the probability values. It also shows other important statistical outputs like R-squared, Adjusted R-squares, standard error of the regression, the sum of squared residual, Log-likelihood, Akaike information criterion (AIC), and so on. Starting from the coefficient, it could be seen that both income per capital (-4.646049) and FD1 (-6.52E-11) give an inverse relationship to the gross domestic product level in the Niger delta, while the other two GFCF (2.11E-13) and unemployment rate (0.513116) in the Niger Delta show a direct relationship to GDP. Also, going through the probability level of contribution to GDP by the variables considered, FDI has the highest probability of 0.8749; followed by income per capita, 0.754; then followed by GFCF, 0.6583; and lastly unemployment rate which gives 0.5646.

Since the main purpose of this test is to test the hypothesis of homoskedasticity against heteroskedasticity, the result shows the overall probability level of 0.444547, which implies the presence of heteroskedasticity.

6.2.3 White Heteroskedasticity Test

White's (1980) test is a test of the null hypothesis of no heteroskedasticity against heteroskedasticity of the unknown, general form. The test checks

variables data to ensure that they do not have different dispersions which can result to erroneous regression results.

Table 6.9: White Heteroskedasticity Test

Heteroskedasticity Test: White				
F-statistic	13.42472	Prob. F(14,8)		0.0005
Obs.*R-squared	22.06097	Prob. Chi-Square(14)		0.0774
Scaled explained SS	14.03554	Prob. Chi-Square(14)		0.4471
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INCOME_PER_CAPITA^2	416.6380	407.8841	1.021462	0.3369
INCOME_PER_CAPITA*FDI	2.54E-09	2.90E-08	0.087695	0.9323
INCOME_PER_CAPITA*GFCF	-4.86E-11	2.28E-11	-2.132315	0.0656
INCOME_PER_CAPITA*UNEMPLOYMENT_RATE	69.87344	50.59934	1.380916	0.2047
INCOME_PER_CAPITA	-1057.6049	654.8749	-1.614972	0.1450

FDI ²	4.46E-19	5.88E-19	0.758501	0.4699
FDI*GFCF	2.49E-23	6.42E-22	0.038700	0.9701
FDI*UNEMPLOYMENT_RATE	-3.27E-09	1.67E-09	-1.958830	0.0858
FDI	3.91E-08	1.95E-08	2.005365	0.0798
GFCF ²	1.00E-25	5.55E-25	0.180850	0.8610
GFCF*UNEMPLOYMENT_RATE	-2.62E-12	3.36E-12	-0.778569	0.4586

Table 6.9 above gives the result for the white heteroskedasticity test testing the hypothesis of no heteroskedasticity against heteroskedasticity. From the result, we could see the result shown by the white test. This includes the coefficient, standard error, t- statistics and the probability value. It also shows the cross contribution of the variables. From the result above, we see that the value for income per capita is 416.6380; for FDI, it is 4.46E-19; for GFCF, it is 1.00E-25; and for unemployment, it is zero. Since some pairwise results did not show zero, e.g. income per capita and unemployment gives 69.87344, income per capita and GFCF gives -4.86E-11, etc., implies the presence of heteroskedasticity.

6.2.4 Residual Normality Test

This view displays the descriptive statistics of the residuals like the skewness, kurtosis, and the Jarque-Bera statistic for testing normality, among others. If the residuals are normally distributed, the histogram should be bell-shaped, and the Jarque-Bera statistic should not be significant.

Table 6.10: Residual Normality Test

VEC Residual Normality Tests				
Component	Skewness	Chi-sq.	Df	Prob.
1	0.806381	2.167501	1	0.1410
2	-0.266353	0.236480	1	0.6268
3	0.840638	2.355576	1	0.1248
4	0.514968	0.883974	1	0.3471
Joint		5.643531	4	0.2274
Component	Kurtosis	Chi-sq.	Df	Prob.
1	3.576409	0.276873	1	0.5988
2	2.657782	0.097595	1	0.7547
3	3.011686	0.000114	1	0.9915
4	2.692553	0.078770	1	0.7790
Joint		0.453351	4	0.9779

Component	Jarque-Bera	Df	Prob.	
1	2.444374	2	0.2946	
2	0.334074	2	0.8462	
3	2.355690	2	0.3079	
4	0.962744	2	0.6179	
Joint	6.096882	8	0.6364	

Table 6.10 above shows the residual normality test showing the skewness, kurtosis and Jarque-Bera statistic. The values 1, 2, 3 and 4 displayed in the result represent the variables under consideration as income per capita, FDI, GFCF and unemployment rate respectively. In this research, there is a need to analyse the different factors by the help of proper statistical techniques. Due to which, residual performing test is also performed. It is helpful for the research because it is providing exact information about the factors which are necessary for the economic growth of Nigeria.

6.2.5 Arch Test

In time-series data, the arch test is used to explain the consequence of the part of a model that cannot be explained through the analysis. The arch test is also performed in order to get the statistical information for the research and analyse it perfectly. In this test, economic development and its related factors easily checked according to specific time and periods.

Table 6.11 below shows the result for the ARCH test carried out. The table shows that the F- statistic obtained is 3.208626, and the probability for the F- statistic is given as 0.0884, which implies non-significance of the heteroskedasticity test on the data set. Heteroskedasticity in the sense that the variables are homoskedastic. That is, they have different variances, and they are not correlated invariances. The table also shows other results produced like the constant parameter C, which produced 2.709701 with a standard error of 0.977151, t-statistic of 2.773062 and the probability value of 0.0117, which implies non-significance. Also, we could see from the table the square residual which is used to test for the heteroskedasticity (ARCH TEST) producing 0.194318 as an estimate, standard error of 0.108481, t- statistic of 1.791264 and the probability value of 0.0884 which also implies the absence of heteroscedasticity. The table also gives other information about the ARCH test carried out like the R-square, adjusted R-square, standard error of the regression, sum square residual, log-likelihood, F-statistic and the overall probability of the test which gives 0.088398. This shows the non-significance of the test.

Table 6.11: Arch Test

Heteroskedasticity Test: ARCH				
F-statistic	3.208626	Prob. F(1,20)		0.0884
Obs*R-squared	3.041532	Prob. Chi-Square(1)		0.0812
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.709701	0.977151	2.773062	0.0117

RESID ² (-1)	0.194318	0.108481	1.791264	0.0884
R-squared	0.138251	Mean dependent var		3.710457
Adjusted R-squared	0.095164	S.D. dependent var		3.953014
S.E. of regression	3.760220	Akaike info criterion		5.573340
Sum squared resid	282.7851	Schwarz criterion		5.672526
Log-likelihood	-59.30674	Hannan-Quinn criteria.		5.596705
F-statistic	3.208626	Durbin-Watson stat		1.103172
Prob(F-statistic)	0.088398			

6.2.6 Impulse Response and Variance Decomposition

It is possible for one of the variables within a model to experience shock. The essence of conducting impulse response analysis is to understand how shock in one of the variables will affect the entire model.

Table 6.12: Impulse Response Analysis

Response for INCOME PER CAPITA

Period	INCOME_PER_CAP ITA	FDI	GFCF	UNEMPLOYMENT_ RATE
1	0.007711	0.000000	0.000000	0.000000
2	0.010494	-0.001222	-0.001686	-0.001185
3	0.014545	0.000704	0.001254	-0.003302
4	0.016867	0.003784	-0.000188	-0.003468

5	0.015111	0.007217	-0.001881	-0.002382
6	0.012611	0.011726	-0.004056	-0.000696
7	0.007851	0.014213	-0.006799	0.001692
8	0.002547	0.015625	-0.008370	0.003560
9	-0.001899	0.015408	-0.009024	0.005035
10	-0.005441	0.013273	-0.009000	0.005871

Response for FDI

Period	INCOME_PER_CAP ITA	FDI	GFCF	UNEMPLOYMENT_RAT E
1	21283850	1.29E+09	0.000000	0.000000
2	-3.55E+08	1.11E+09	-6.52E+08	5.38E+08
3	-9.20E+08	1.42E+09	-9.69E+08	5.68E+08
4	-1.07E+09	2.19E+09	-8.01E+08	6.71E+08
5	-1.93E+09	2.30E+09	-1.36E+09	1.09E+09
6	-2.76E+09	1.98E+09	-1.39E+09	1.32E+09
7	-2.93E+09	1.73E+09	-1.28E+09	1.31E+09
8	-3.02E+09	1.29E+09	-1.09E+09	1.26E+09
9	-2.85E+09	7.95E+08	-8.16E+08	1.11E+09
10	-2.38E+09	2.31E+08	-5.27E+08	8.77E+08

Response for GFCF

Period	INCOME_PER_CAP ITA	FDI	GFCF	UNEMPLOYMENT_RA TE
1	-5.86E+11	-3.37E+11	2.68E+11	0.000000
2	-1.74E+11	-1.38E+12	3.74E+11	-8.49E+10
3	5.23E+11	-1.40E+12	6.52E+11	-5.51E+11
4	1.23E+12	-8.20E+11	9.95E+11	-7.29E+11
5	1.21E+12	-8.51E+11	5.79E+11	-5.41E+11
6	1.19E+12	-8.70E+11	5.33E+11	-5.63E+11
7	1.44E+12	-3.42E+11	5.31E+11	-6.37E+11
8	1.17E+12	1.09E+11	2.90E+11	-4.51E+11
9	6.11E+11	3.40E+11	2.50E+10	-1.95E+11
10	1.36E+11	4.01E+11	-1.46E+11	-5.78E+09

Response for UNEMPLOYMENT RATE

Period	INCOME_PER_CAP ITA	FDI	GFCF	UNEMPLOYMENT_RA TE
1	-0.319234	0.189219	-0.284055	0.264077
2	-0.304446	0.608306	-0.563652	0.467107
3	-0.551773	0.682387	-0.827088	0.632709
4	-0.797320	0.700489	-0.813721	0.650197

5	-0.928766	0.706306	-0.779475	0.664970
6	-1.117098	0.657244	-0.792634	0.711860
7	-1.228718	0.550831	-0.760677	0.742142
8	-1.229478	0.357578	-0.719261	0.728317
9	-1.115183	0.166324	-0.609745	0.648451
10	-0.897968	0.034365	-0.486818	0.543550

6.2.7 Variance Decomposition Analysis

Variance decomposition analysis explains variation in independent variables. After decomposition, two components emerge. The first part of the variation is accounted for by variations in the independent variable; the second part happens as a result of chance.

Table 6.13: Variance Decomposition Analysis

Variance Decomposition for Income per capita

Period	S.E.	INCOME_PER_CAPI TA	FDI	GFCF	UNEMPLOYMENT_RAT E
1	0.0077 11	100.0000	0.00000 0	0.000000	0.000000
2	0.0132 41	96.72758	0.85120 0	1.620786	0.800437

3	0.0199 96	95.32071	0.49712 1	1.103868	3.078296
4	0.0266 59	93.65576	2.29404 0	0.626022	3.424174
5	0.0316 28	89.36506	6.83635 3	0.798468	3.000115
6	0.0362 47	80.14764	15.6711 7	1.859969	2.321224
7	0.0403 30	68.52778	25.0773 0	4.344042	2.050885
8	0.0442 71	57.20263	33.2693 2	7.179254	2.348801
9	0.0480 38	48.73817	38.5425 8	9.625922	3.093326
10	0.0512 73	43.90889	40.5339 9	11.53049	4.026626

Period	S.E.	INCOME_PER_CAPI TA	FDI	GFCF	UNEMPLOYMENT_RA TE
1	1.30E +09	0.027010	99.972 99	0.0000 00	0.000000

2	1.93E +09	3.380374	77.510 95	11.355 14	7.753541
3	2.81E +09	12.34419	62.565 87	17.315 42	7.774519
4	3.86E +09	14.15339	65.250 36	13.458 74	7.137511
5	5.19E +09	21.65246	55.705 73	14.252 43	8.389382
6	6.49E +09	31.89243	44.951 34	13.669 96	9.486273
7	7.56E +09	38.60835	38.445 51	12.948 42	9.997706
8	8.40E +09	44.10281	33.440 13	12.145 24	10.31181
9	9.02E +09	48.33629	29.830 73	11.370 17	10.46281
10	9.39E +09	51.06609	27.593 62	10.809 83	10.53046

Perio d	S.E.	INCOME_PER_CAPI TA	FDI	GFCF	UNEMPLOYMENT_RA TE
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1	7.27E+ 11	64.87141	21.511 31	13.617 27	0.000000
2	1.62E+ 12	14.28489	77.347 84	8.0916 81	0.275584
3	2.36E+ 12	11.59635	71.430 68	11.397 28	5.575692
4	3.05E+ 12	23.32113	50.113 07	17.496 66	9.069137
5	3.48E+ 12	30.00168	44.432 81	16.191 29	9.374221
6	3.86E+ 12	33.93022	41.236 64	15.079 04	9.754097
7	4.22E+ 12	40.13925	35.193 30	14.216 13	10.45133
8	4.41E+ 12	43.73619	32.233 80	13.428 44	10.60156
9	4.47E+ 12	44.44973	31.961 65	13.076 66	10.51196
10	4.49E+ 12	44.09994	32.440 43	13.051 95	10.40768

Variance Decomposition for unemployment rate

Peri od	S.E.	INCOME_PER_CAPI TA	FDI	GFCF	UNEMPLOYMENT_RA TE
1	0.5367 85	35.36867	12.425 91	28.002 97	24.20245
2	1.1343 52	15.12317	31.539 82	30.960 91	22.37609
3	1.7723 59	15.88702	27.743 42	34.459 66	21.90990
4	2.3135 59	21.20055	25.449 08	32.593 90	20.75646
5	2.7863 59	25.72682	23.970 80	30.296 88	20.00549
6	3.2524 90	30.67759	21.675 79	28.174 17	19.47246
7	3.6771 26	35.16710	19.202 57	26.322 17	19.30815
8	4.0259 80	38.66270	16.807 78	25.149 89	19.37963
9	4.2745 87	41.10249	15.060 97	24.344 30	19.49224
10	4.4285 50	42.40570	14.037 98	23.889 41	19.66691

VAR decomposition shows the heteroskedastic relationship between the variables under consideration. From the result above, it could be deduced that for income per capita, FDI, GFCF and unemployment rate, there is no heteroskedastic relationship. That is, they are not related to invariances. The research is about the economic growth of Nigeria, and there is need to discuss the entire factors which influence the GDP, RSFDI and income per capita of the country and VAR decomposition also shows the unemployment rate of the country so, there is no need to compromise on VAR decomposition.

6.2.8 Parameter estimation of the variables

One of the objectives of this study is to investigate the impact of some independent variables in the Niger Delta on the Gross Domestic Product (GDP) in Nigeria. These factors are the standard of living which is measured by the income per capita, FDI, GFCF and the unemployment rate in the Niger Delta. A regression analysis was carried out to determine the impact of these variables on the Gross Domestic Product (GDP). The fitted regression linear model for the data is shown below:

Table 6.14: Ordinary Least Square Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10771289	8933137.	-1.205768	0.2435
INCOME_PER_CAPITA	1.64E+08	10383417	15.76198	0.0000
FDI	-0.000776	0.000334	-2.323132	0.0521

GFCF	1.31E-06	3.23E-07	4.062431	0.0007
UNEMPLOYMENT_RATE	634583.6	695357.3	0.912601	0.3735
R-squared	0.997259	Mean dependent var		34820886
Adjusted R-squared	0.996650	S.D. dependent var		33318904
S.E. of regression	1928504.	Akaike info criterion		31.97205
Sum squared resid	6.69E+13	Schwarz criterion		32.21889
Log-likelihood	-362.6785	Hannan-Quinn criteria.		32.03413
F-statistic	1637.236	Durbin-Watson stat		0.790551
Prob(F-statistic)	0.000000			

The fitted model from the table shown above is given as:

$$\text{GDP_growth rate} = 38.937175845 + 34.3610859933 * \text{Income per capita} + 3.52490274078e-10 * \text{FDI} - 1.46903150992e-12 * \text{GFCF} - 2.51342648142 * \text{Unemployment_Rate}$$

Table 6.14 above is a result output using Ordinary Least Squares (OLS) to estimate the parameters. It shows that Income Per Capita, FDI, GFCF are significant at 5% level while unemployment is not significant at 5% level. The table shows the constant estimate to be -10771289, and a positive estimate of income per capita as 1.64E+08. The table also shows a negative estimate for RS-FDI as - 0.00776 contribution to GDP per capita in Nigeria. It could also be seen from the table that the contribution of GFCF is a 1.31E-06 and lastly positive estimate for the unemployment rate is 634583.6.

Other results produced from the table are a standard error, t- statistic and probability values of the independent variables. It shows 8933137, -1.205768 and 0.2435 as standard error, t- statistic and probability values respectively for the constant value. Also, it shows 10383417, 15.76198 and 0.0000, respectively as standard error, t- statistic and probability values for income per capita. It also shows 0.000334, -2.323132 and 0.0521 respectively as standard error, t- statistic and probability values for FDI; and 3.23E-07, 4.062431 and 0.0007 respectively as standard error, t- statistic and probability values for GFCF. Lastly, from the table, we see 695357.3, 4.062431 and 0.3735, respectively as the standard error, t- statistic and probability values of the unemployment rate. The table also shows that Gross Domestic Product level in Nigeria is really affected by the standard of living in the Niger Delta and GFCF of the Niger Delta. The model above shows that the coefficient of determination (R^2) is 0.997259, with standard error of 1928504; meaning that 99% of the total variation in GDP could be explained by the variations in Income Per Capita, FDI, and GFCF while 0.002741% could be explained by other variables not used in the model.

6.2.9 Estimation of Growth-Augmented Model

The previous sections showed the properties within the various time-series data. The next section will show multivariate regression that is processed for variables used in the research.

Table 6.15: Estimates of Economic Growth and Foreign Direct

Investment in Nigeria (1994-2016)

INDEPENDENT VARIABLES	MODEL I: COEFFICIENTS (WITHOUT CORRECTION FOR AUTO CORRELATION)	MODEL II: COEFFICIENTS (WITH CORRECTION FOR AUTOCORRELATION)
	CONSTANT	3.89E+02 (0.00385)**
(WEL)	3.44E+01 (0.02152)*	2.69E+01 (0.02900)*
RSFDI	3.53E-10 (0.43254)	4.88E-10 (0.19122)
INFR	1.47E-12 (0.00283)**	1.15E-12 (0.00505)**
EMP	2.51E+00 (0.01318)*	1.19E+00 (0.02063)*
AR(1)	-	8.03E-01 (0.00494)**
R-SQUARED	0.4924	0.6853
ADJUSTED R- SQUARED	0.3796	0.5928
F-STATISTIC	4.365	7.404

PROB(F- STATISTIC)	0.01215	0.0007522
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Note: *** (**)* represent 1%, 5% and 10% level of significance. P-values are in parentheses.

Table 6.15 above shows the estimates and contribution of the factors contributing to GDP in Nigeria. The table's result is subdivided into two. The model 1 part shows the significance of the economic variables before auto-correlated error problem was corrected, while model II shows when the errors have been corrected. Considering the result from a model I and II, it could be seen that Resource seeking FDI in Niger Delta do not contribute to the Gross Domestic Product (GDP) of Nigeria as the p-value produced by RSFDI gives 0.43254 and 0.19122 for model I and model II respectively. It could also be seen that model II also has overall model significance as the p-value (0.0007522) is less than 0.05, which shows the correctness of the model used.

This finding has equally been confirmed by several studies on Nigeria. Examples include Konings (2001); Zukowska-Gagelmann (2002) and Ajide and Adeniyi (2010). A factor like the infrastructural level of the Niger Delta has the predicted favourable outcome and significant one per cent improvement, and the country can achieve positive growth as a result. The amount of infrastructure has a positive relationship with economic growth at the five per cent significance level. A gradual increase in infrastructure provision potentially justified the result. Employment rate, that gauges the level of employment in

the Niger Delta area, is significant in models one and two at the one per cent levels. The computed R^2 49.2% and 68.5% in model 1 and 2 respectively. R^2 is used to measure the goodness of fit for variable data. The model as computed has autocorrelation issue. This issue is fixed using the second model. To achieve the correction of autocorrelation issue, first-order autoregressive is processed for the data variables.

6.2.10 Hypothesis Testing

Hypothesis 1

H_0 : In the Niger Delta, there is a negative correlation between RSFDI and employment generation.

H_A : In Niger Delta, there is a positive correlation between RSFDI and employment generation.

Table 6.16: Correlations – Hypothesis 1

		RSFDI	Unemployment Rate
RSFDI	Pearson Correlation	1	.398

	Sig. (2-tailed)		.060
	Sum of Squares and Cross-products	15580763082506833000 0.000	22386229197.25 4
	Covariance	7082165037503106000.0 00	1017555872.602
	N	23	23

Table 6.4 above shows the correlation table between RSFDI and unemployment rate in the Niger Delta area. It shows that there is a positive correlation between RSFDI and unemployment rate in the Niger Delta area. It means that the more the RSFDI, the more unemployment rises. From the table, we observed that the correlation between the two variables is 0.398, which shows a positive correlation but not a strong relationship. Therefore, we can infer that RSFDI affects the unemployment rate positively in the Niger Delta as a result, also shows that the relationship is insignificant. The null hypothesis (H0) is rejected.

Hypothesis 2

H₀: In the Niger Delta, there is a negative and insignificant correlation between RSFDI and asset tangibility.

H_A: In the Niger Delta, there is a positive and significant correlation between RSFDI and asset tangibility.

Table 6.17: Correlations – Hypothesis 2

		RSFDI	ASSET T
I	Pearson Correlation	1	.434
	Sig. (2-tailed)		.038
	Sum of Squares and Cross-products	15580763082506833 0000.0	125150179054267000000 000.0
	Covariance	70821650375031060 00.0	568864450246668200000 0.0
	N	23	23

The table above shows the correlation table between RSFDI and asset tangibility in the Niger Delta area. It shows that there is a positive correlation between RSFDI and asset tangibility in the Niger Delta area. From the table, we observed that the correlation between the two variables is 0.434, which shows a positive correlation but not too strong a relationship. The result also shows that the relationship is significant at 0.038. Therefore, we reject the null hypothesis that in Niger Delta, there is a negative and insignificant correlation between RSFDI and asset tangibility and we then conclude that there is a positive correlation between RSFDI and asset tangibility, though the correlation is insignificant. H_A is accepted.

Hypothesis 3

H₀: In the Niger Delta, there is a negative and insignificant correlation between RSFDI and standard of living.

H_A: In the Niger Delta, there is a positive and significant correlation between RSFDI and standard of living.

Table 6.18: Correlations – Hypothesis 3

		Income Per Capita	FDI
Income Per Capital	Pearson Correlation	1	.674
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	.674	6903572445.964
	Covariance	.031	313798747.544
	N	23	23

The table above is the correlation table between RSFDI and the standard of living in the Niger Delta area. From the table, we observed that the correlation between the two variables is 0.674, which shows a very strong positive correlation between RSFDI and the standard of living in the Niger Delta. The result also shows that the relationship is significant at 0.000; therefore, we reject the null hypothesis that in the Niger Delta, there is a negative and insignificant correlation between RSFDI and standard of living and we then

conclude that there is a positive and significant correlation between RSFDI and standard of living.

Hypothesis 4

H₀: RSFDI in the Niger Delta does not contribute positively to Nigeria’s GDP growth.

H_A: RSFDI in the Niger Delta contributes positively to Nigeria’s GDP growth.

Table 6.19: Correlations – Hypothesis 4

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	3.107	1.459		2.130	.045		
	RSFDI	5.271E-010	.000	.344	1.681	.108	1.000	1.000

The result of the table above shows that RSFDI in the Niger Delta contributes negatively to Nigeria's GDP growth as it returns a negative coefficient of 5.271E-010. It shows that the contribution of FDI to economic growth in Nigeria is negative. The p-value 0.108 shows a significant value which is greater than 1%. It means failure to reject the null hypothesis due (H_0) due to confidence interval and conclude that RSFDI in Niger Delta does not contribute positively to Nigeria's GDP growth. This simply implies that RS-FDI in Niger Delta has no impact on the growth per capita of Nigeria and particularly on the welfare of the citizens of the nation.

6.3. SECTION B: Primary data analysis

This section presents the data analysis and interpretation of the result of the questionnaire administered. Eight hundred questionnaires were designed for this study for the six Niger Delta states in Nigeria. Out of these, 500 questionnaires were completed and returned. The analysis of the 500 questionnaires is presented in this section. This session is divided into two sessions; descriptive analysis and bivariate analysis. Basically, the researcher described the data in the first section and conducted the necessary statistical analysis in the second section to fulfil the objective of this study.

6.3.1 Gender of the respondents

Table 6.3.1 below shows the frequencies and percentages of the gender of the respondents. Based on the data analysis, precisely two hundred and fifty-three

(253) respondents were males, and two hundred and forty-seven (247) were females. By implication, the distribution is merely equal. Males (50.6%), while 49.4% were females.

6.3.2 Age of the respondents

Table 6.3.1 below shows the frequencies and percentages of the age range of the respondents. Based on the data analysis, one hundred and fifty-five (155) of the respondents fall between the age range of 25 - 35. The highest age range is between 35-55 years of age (165). The lowest age range is within the under 25

group. By implication, most respondents (33%) fall within 35-55 years age range, and the least percentage (17.8%) is for the under 25 age range.

The highest respondent is seen between the age of 35-55 years because the employment age in Nigeria is 16 -65 years and the majority above 30 years prefer oil and gas due to their acquired skills, educational qualification and incentives.

Table 6.3.1 Demographic Characteristics of the Respondents

DEMOGRAPHIC	OPTIONS	MEAN	SD	FRQ	PER CENT
Sex	Male	1.4940	0.02238	253	50.6
	Female			247	49.4
Age	under 25	2.5160	0.04408	89	17.8

	25 – 35			155	31.0
	36 – 55			165	33.0
	56 – above			91	18.2
Highest Education Qualification	OND/HND	2.5360	0.04201	68	13.6
	Degree			186	37.2
	Masters			156	31.2
	PhD/ DBA			90	18.0
Department	Human Resources	6.4180	.14381	18	3.6
	Sales / Marketing			57	11.4
	Business Development			44	8.8
	Engineering			54	10.8
	It/ Software Support			37	7.4
	Accounting / Auditing			43	8.6
	Law / Legal Administration			42	8.4
	Procurement / Logistics / Supply Chain			49	9.8

	Client Account Management / Customer Service			48	9.6
	General Management / Administration			43	8.6
	Transport / Distribution			42	8.4
	Others			23	4.6
Position in Organization	Supervisor	2.4720	0.04334	92	18.4
	Head Of Department			160	32.0
	Manager / Regional Manager			168	33.6
	Director			80	16.0
Location of respondents	Akwa-Ibom	3.5100	0.06484	47	9.4
	Rivers			95	19.0
	Cross Rivers			101	20.2
	Bayelsa			109	21.8
	Edo			109	21.8
	Delta			39	7.8

Source: Researcher's compilation

6.3.3 Educational qualification of the respondents

Table 6.3.1 above shows the frequencies and percentages of the educational qualification of the respondents. Based on the data analysis, 68 (13.6%) had Ordinary National Diploma/Higher National Diploma (OND/HND); most of the respondents, which is 37.2% (186), had undergraduate degrees, BSc/BA; and 90 (18%), had Doctorate degrees, PhD/DBA; while 156 (31.2%) have postgraduate degrees, MSc/MA. The highest respondent is people with National Diploma and Higher National Diploma because they had a vast knowledge about RSFDI in Niger Delta.

6.3.4 Departments of the respondents

Table 6.3.1 above shows the frequencies and percentages of the departments of respondents. Based on the data analysis, 18 respondents (3.6%) were from human resources; 57 (11.4%) were in sales/marketing; 44 (8.8%) were in the business development departments; 54 (10.8%) were in the department of engineering; 37 (7.4%) were in IT/software support departments; 43 (8.6%) belong to the accounting/auditing departments; 42 (8.4%) respondents were in the law/legal administration sections; 49 (9.8%) were from the procurement and logistics/supply chain sections; 48 (9.6%) provided client account management and customer services; 43 (8.6%) were in general management/administration departments; 42 (8.2%) worked in the transport/distribution sections of their organisations while 23 respondents (4.6%) worked in other departments. This implies that majority of the people in the Niger-Delta region engages in sales occupation and marketing business.

6.3.5 Position of respondents in their organisations

Table 6.3.1 above shows the frequencies and percentages of the position of the respondents in their respective organisations. Based on the data analysis, 92% were supervisors; 160% are heads of departments; 168% were managers / regional managers; while eighty 80% of respondents were directors. By implication, most respondents (33.6%) were managers who make decisions in multinational cooperations.

6.3.6 Location of the respondents

Table 6.3.1 above shows the frequencies and percentages of the locations of the respondents. Based on the data analysis, 9.4% (47) of the respondents were based in Akwa-Ibom stat; 19% (95) of them were in Rivers state; 20.2% (101) were from Cross River state; 21.8% (109) were from Bayelsa state, 21.8% (109) of the respondents were from Edo state; while 7.8% (39) out of the 500 respondents were from Delta state. This implies that all the respondents were spread across the Niger-Delta region.

Table 6.3.2: RSFDI and Employment

QUESTIONS	SA %	A %	UNDECIDED%	DA %	Strongly Disagree%	MEAN	SD
Do you think RSFDI is in	0%	51.4%	0%	48.6%		1.486	0.02237

operation in your state?					0%		
Foreign direct investments have improved employment generation for the Niger Delta indigenes	0%	23.6%	51.8%	24.6%	0%	3.01	0.03108
The stringent employment process is a barrier for Niger Delta indigenes from accessing employment opportunities	0%	51.4%	48.6%	0%	0%	2.486	0.02237

Most people in the Niger Delta are motivated to seek employment in multinational s bringing FDI	0%	23.4%	50.6%	26%	0%	2.026	0.03144
Companies driven by FDI consider a lot of Niger Delta people employable	0%	22.8%	53.2%	24%	0%	3.012	0.03062
Reinvesting part of multinational s profit in other enterprises in the Niger	78%	171%	0%	85%	0%	2.516	0.04251

Delta will improve employment opportunities							
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Source: Researcher's compilation

6.3.7 RSFDI & Employment.

The above table indicates that relatively more people within the Niger Delta (51.4%) are aware of the presence of RSFDI in there in the region than those that are not aware (48.6%). FDI should enhance business activities which in turn should increase employment opportunities. From the pulled questionnaire, less number of respondents agreed (23.6%) that RSFDI in the Niger Delta is improving employment opportunities in the Niger than those that disagreed (24.6%). The greatest number of respondents (51.8%) are undecided on the effect of RSFDI in the region. Employers always establish and implement their employment policies to determine the best suitable candidate for every vacancy. Sometimes these policies might exclude potentially interested candidates. The above table indicates that majority of the respondents (51.4%) believe that employment policies of the RSFDI firms inhibit indigenes of the Niger Delta from taking advantage of employment opportunities within the firms.

The above table indicates that least of the respondents (23.4%) agree that people in the Niger Delta are motivated to seek employment within the RSFDI firms. 50.6% of the respondents are undecided while 26% disagree. This response is possibly motivated by the reason that most people within the region do not believe they would be hired by the firms when they seek employment within the firms. The respondents do not believe that RSFDI companies consider people within the Niger Delta region employable. This belief is reflected in the responses shown in table 6.3.2, where 22.8% agreed, 53.2% were undecided while 24% disagreed. When profits are reinvested in the area or community where are generated, the chances are that those reinvested profits can generate multiplier effects and generate employments. Most of the respondents (78%) agreed and strongly agreed (171%) that reinvesting part of multinationals profits in other enterprises in the Niger Delta will improve employment opportunities.

Therefore it can be concluded that the first hypothesis:

H₀: In the Niger Delta, there is a negative relationship between RSFDI and employment generation is rejected.

H_a: In the Niger Delta, there is a positive relationship between RSFDI and employment generation is accepted.

Significance level (α): 5% (0.05)

Decision rule: Reject H₀ (null hypothesis), if Asymptotic Significant is less than the significance level (α)

Since the p-value (0.492) is greater than the significant level (0.05), the result showed that there is a positive and insignificant relationship between RSFDI and employment generation. Hence the null hypothesis (Ho) is rejected.

Table 6.3.3 Hypothesis 1 - Chi-square result

	Value	Degrees of freedom	Asymptotic. Sig. (2-sided)
Pearson Chi-Square	1.419 ^a	2	0.492

Table 6.3.4 RSFDI AND ASSET TANGIBILITY (INFRASTRUCTURAL FACILITIES)

QUESTIONS	MEAN	SD	STRONGLY AGREE%	AGREE %	UNDECIDE D%	DISAGRE E%	STRONGLY DISAGRE E%
There is poor management of waste in the Niger Delta region by FDI	2.9680	0.03072	10%	25.2%	33.8%	22%	0%

driven companies							
FDI driven companies provide portable drinking water in the Niger Delta	2.4940	0.04363	13.6%	15%	16.6%	26.6%	28.2%
FDI driven companies should support basic government infrastructure in Niger delta as part of corporate social responsibility	2.4740	0.04126	35.8%	15.6%	34.2%	14.4	0%

Rate FDI investment in infrastructure in Niger delta (road, electricity, water, health facilities)	2.9980	0.03209	1.4%	10.6%	15.2%	35.6%	37.2%
Rate RSFDI relationship with the communities in infrastructural development	3.0000	0.03178	3.4%	11%	38.2%	31.2%	16.2%
Do RSFDI companies in the Niger coordinate with	2.0200	0.03126	0%	23.4%	51.2%	25.4%	0%

communities on infrastructure development							
The challenge faced by multinationals in infrastructure	2.9860	0.03196	0%	26.2%	49%	24.8%	0%
How regularly do RSFDI implement corporate social responsibility in infrastructure in the Niger delta	2.9800	0.03008	0%	23.6%	54.8%	21.6%	0%

How spread is multinational corporate social responsibility in infrastructural in the Niger delta	3.0100	0.03029	0%	22.4%	54.2%	23.4%	0%
I think it is the responsibility of FDI driven companies to clean up	1.9980	0.03159	0%	47.4	0%	52.6%	0%

the Niger delta								
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Source: Researcher’s compilation

6.3.8 RSFDI and infrastructural facilities.

Waste management is affected when the proper infrastructure to ensure its management is not in place. Most of the respondents are of the opinion that there is poor management of waste by FDI driven companies in the Niger Delta. This is reflected by their responses contained in table 6.3.4. 19% and 25.2% strongly agreed and agreed respectively on the issue of poor waste management. Majority of the respondents disagreed (26.6%) and strongly disagreed (28.2%) that FDI driven companies in the Niger Delta provide portable drinking water for the communities. Their responses show that the companies are not doing enough to provide potable water infrastructure in various Niger Delta communities.

The respondents’ responses from table 6.3.4 indicate that FDI driven companies should collaborate with the government in the provision of basic amenities to the communities where they operate. The table shows that 35.8% strongly agreed while 15.6% agreed on FDI driven companies support of government basic amenities provision where they are located. The table also indicates that RSFDI relationship with host communities on infrastructure provision is not very good. With respect to RSFDI collaboration with host

communities on infrastructure provision, the responses were slightly balanced. While 23.4% agreed, 25.4% disagreed. From the table, the respondents slightly agreed that RSFDI companies regularly implement corporate social responsibility projects in the Niger Delta. The respondents also indicate that RSFDI responses are slightly spread within the Niger Delta. Majority of the respondents (52.6%) believe it is the responsibility of RSFDI driven companies to clean up the polluted environment in the Niger Delta.

Therefore, based on the above analysis, the second hypothesis:

H₀: In the Niger Delta, there is a negative relationship between RSFDI and asset tangibility (infrastructural facilities.), is rejected.

H_A: In the Niger Delta, there is a positive relationship between RSFDI and asset tangibility (Infrastructural facilities), is accepted

Since the p-value (0.001) is greater than the significant level (0.05), the result showed that there is a positive and insignificant relationship between RSFDI and asset tangibility. Hence the null hypothesis is rejected.

Table 6.3.5: Hypothesis 2 - Chi-square result

	Value	Degrees of freedom	Asymptotic. Sig. (2-sided)
Pearson Chi-Square	2.452 ^a	2	.001

Table 6.3.6 RSFDI and standard of living.

QUESTIONS	SA %	A %	UNDECIDED%	DA %	STRONGLY DISAGREE%	MEAN	SD
There are training facilities in Niger delta that the indigenes can access to improve industry-specific skills	0%	15%	36.2%	13.6%	35.2%	2.484	0.04058
FDI driven companies should offer free medical care from time to time to Niger	24.2%	50%	0%	24.2%	0%	3.016	0.03165

Delta indigenes							
FDI driven companies are doing enough to achieve a healthy and sustainable environment in Niger delta	0%	24.6%	0%	23.4%	52%	2.988	0.03101
Indigenes of Niger Delta will avail themselves of skill-building facilities to improve industry-specific skill	0%	24.8%	48.2%	27%	0%	3.022	0.0322

Source: Researcher's compilation

6.3.9 RSFDI and the standard of living.

Training is critical to ensuring that individuals can learn the skills that are necessary for the performance of specific tasks. To get employed, people need access to training facilities can improve their employability. Responses from the respondents indicate that although there are training facilities in the Niger Delta, these are not sufficient to ensure that every one that is interested in training well served. Table 6.3.6 showed that 13.6% disagreed that there are training facilities while 35.2% strongly disagreed. Part of improving welfare and standard of living of the people in the provision of medical facilities to ensure their health and wellbeing. 24.2% and 50% of the respondents agree and strongly agreed respectively that RSFDI driven companies showed offer free medical care from time to time to Niger Delta indigenes.

Every individual seeks to live in a healthy and sustainable living environment. The Niger Delta environment has a unique characteristic in that oil and gas is produced in the region. It is the duty of the oil and gas RSFDIs in the Niger Delta to ensure a healthy and sustainable environment for the people of the Niger Delta. However, from the responses from the respondents show that FDI driven companies are not doing enough to ensure a healthy, sustainable living environment for the indigenes of the Niger Delta. The table also showed that the respondents believe that indigenes of the Niger Delta will avail themselves of skill-building facilities in order to improve their living standards.

Therefore, it can be concluded from the analysis above that the third hypothesis:

H₀: In the Niger delta, there is a negative relationship between RSFDI and standard of living is rejected.

H_a: In the Niger delta, there is a positive relationship between RSFDI and standard of living is accepted.

Significance level (α): 5% (0.05)

Decision rule: Reject H₀ (null hypothesis), if Asymptotic, Sig. is less than the significance level (α)

Since the p-value (0.042) is less than the significant level (0.05), the null hypothesis is rejected and conclude that in Niger delta, there is a positive and insignificant relationship between RSFDI and standard of living.

Table 6.3.7 Hypothesis 3 - Chi-square result

	Value	Degrees of freedom	Asymptotic. Sig. (2-sided)
Pearson Chi-Square	6.351 ^a	2	.042

Table 6.3.8: RSFDI and GDP

QUESTIONS	STRONGLY AGREE%	AGREE%	UNDECIDED%	DISAGREE%	STRONGLY DISAGREE%	MEAN	
Do you think companies in Niger Delta promotes GDP growth?	0%	23.8%	15%	10.6%	50%	1.982	0.03145
Do you think oil revenues generated from Niger Delta is used for economic development?	0%	14%	7%	27%	51.4%	2.966	0.03117
FDI driven companies repatriate the bulk of its profit out of Nigeria	72.6%	16.8%	0%	10.6%	0%	2.938	0.03007

FDI driven companies engage in value chain activities in the Niger Delta	0%	14%	7%	27%	51.4%	2.966	0.03117
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Source: Researcher’s compilation

6.3.10 RSFDI and GDP

At the core of the reason for the attraction of FDI into a country is there potential contribution to economic growth. However, most respondents 10.6% and 50.6% disagree and strongly disagree that RSFDIs in the Niger Delta promote economic growth. These outcomes could be as a result of the fact that most of the oil and gas FDIs in the Niger Delta tend to send profits from their operations to their overseas headquarters instead of reinvesting into the Nigerian economy. The respondents also disagreed that oil revenue generated from Niger Delta is used for economic development. 27% and 51.4% disagreed and strongly disagreed, respectively. These would stem from the fact that most large amount of oil revenue from the Niger Delta is stolen by corrupt government officials and people involved in the oil and gas business.

Excessive repatriation of business harms the local economy. 72.6% and 16.8% strongly agree and agree that FDI driven companies in the Niger Delta

repatriate bulk of their profit outside of Nigeria. This will account for as to why the sector is not significantly improving the country's GDP. Also, the respondents do not agree that RSFDI in the Niger Delta engages in value chain activities in their oil and as production activities. Will also account for as to why the sector does not significantly contribute to the country's GDP growth.

Therefore, it can be concluded from the analysis above that the fourth hypothesis

H_0 : RSFDI in the Niger Delta does not contribute positively to Nigeria's GDP growth is rejected (failure to reject) the hypothesis.

H_A : RSFDI in the Niger Delta contributes positively to Nigeria's GDP growth is accepted.

The result of the chi-square table above shows that Resource seeking FDI in the Niger Delta do not contribute positively to Nigeria's GDP. The table shows a significant value of 0.48, which is simply greater than 0.05. The decision rule says if the significance value is greater than 0.05, reject the null hypothesis, that is H_0 and if less than 0.05, we accept the alternative hypothesis, which is H_A .

Table 6.3.9 Hypothesis 4 - Chi-square result

		Value	Degrees of freedom	Asymptotic. Sig. (2-sided)
Pearson Chi-Square		5.271 ^a	2	.038

6.5 Summary of Data Analysis

From the data analysis, It is established that RSFDI in Niger Delta does not create sufficient jobs that can enhance economic growth in Nigeria. RSFDI increased infrastructural facilities and welfare positively but not sufficient enough to impact the people of Niger Delta. This will be discussed further in chapter seven.

CHAPTER 7: DISCUSSION OF RESEARCH FINDINGS

7.1 Introduction

This research is centred around investment inflows and the effects they are having on the local economy of Nigeria with emphasis on the Niger Delta. The effects of FDI explored in this research are in the area of citizen's welfare, employment opportunities, infrastructure development and economic growth. The previous chapter presented and analysed the primary and secondary data used in this study. This chapter presents a discussion of the research findings obtained from data analysis. The chapter discusses the outcomes of the research hypothesis for each of the research objectives. Both the results from the primary and secondary data analyses are covered in this discussion.

7.2. Resource-Seeking Foreign Direct Investments (RSFDI) do not generate employment in the Niger Delta

From the data analyses, the study uncovers a negative correlation between resource-seeking foreign direct investment and employment generation in the Niger delta. This finding is reached because with a positive RSFDI and unemployment correlation, invariably, RSFDI does not improve employment opportunities in the Niger Delta. The reason for a negative correlation between RSFDI and unemployment levels in the Niger Delta is because more RSFDI increases the ratio of unemployed persons in the region. A possible explanation for this outcome is that oil and gas multinational companies in the Niger Delta tend to bring in expatriates from abroad to take charge of most vacant

positions. The market imperfection theory lends credence to this situation because it is as a result of the fact that sometimes needed skills are not available in the Niger Delta that forces the multinationals into recruiting expatriates from their home countries.

The reason multinationals give for not hiring locals from host communities for their operations is that the communities often do not provide enough qualified workforce for most job openings. Again, since FDI tends to crowd out local operators because of high technological and managerial capabilities, workers from the local firms often see themselves out of work. Since the multinational companies prefer foreign workers, the level of employment within the local communities invariably goes down, contributing to the negative correlation between RSFDI and employment generation. This observation about multinational firms is supported by research from Ewers and Dicce (2016), which found that multinational corporations in Hong Kong bring in workers from their home countries.

This result is also supported by evidence from the research was the relationship between FDI and employment in the Niger Delta reviewed in chapter 4 for example, Odularu (2008) noted that FDI contribution to employment generation is very low at 1.3%. Also, Marelli, Resmini and Signorelli (2014) noted that in contrast to a positive effect of FDI on employment in European countries, FDI inflows into the Niger Delta increased employment opportunities in the region. As the level of economic performance in a society increases, it

is expected that an increase in employment opportunities will result. However, a potential increase in employment opportunities may have a direct benefit to the host environment. Several factors exist as to why an increase in employment opportunities may not directly benefit the host community. These factors are: First, the labour force in the host communities may be lacking in adequate skills that are required by the newly generated job openings. Second, the multinational companies may have a preference for the allocation of jobs to expatriates from home countries. Third, the regulatory environment may not be effective in compelling the multinational corporation in allocating enough job quotas to the host communities.

In Inekwe (2013), where the relationship between FDI and employment was explored, the researcher found a positive relationship between FDI and employment in the manufacturing sector and a negative relationship between FDI and employment in the services sector. A positive relationship between FDI and employment potentially exists in the manufacturing FDI because the sector requires a large number of blue-collar workers. Several operations in the oil and gas sector are services that are provided to the oil by the oil and gas servicing companies. Operations of the oil and gas servicing companies do not require a large pool of labour, hence the low level of job openings in the sector. This case could contribute to the negative relationship between RSFDI and employment found in this research because a large number of oil and gas servicing companies make up the RSFDI in the Niger Delta.

Evidence from the literature and the findings of this research have shown that the direct employment potentials in the Niger Delta have underperformed concerning RSFDI. However, more pertinent is that the operations of the multinational companies have had and is still having great negative indirect effects on employment opportunities for the indigenes of the Niger Delta. Aside from the fact that multinational companies have failed in their service as a veritable source of employment for the educated youths and professionals from the Niger Delta, they have also contributed to high unemployment.

Before the coming of the oil and gas companies for exploration and production of oil and gas in the Niger Delta, the major source of employment for the communities include agriculture, animal husbandry and fishery. However, over the years, the operations of the oil and gas companies have progressively degraded agricultural lands and polluted rivers and oceans. The result is a high rate of unemployment for those previously employed in agriculture, animal husbandry and fishing. This also obviously contributed to the high rate of unemployment in the Niger Delta with a high presence of RSFDI. The result of the research on the unemployment situation in Nigeria also reflects the general unemployment situation in Nigeria, which is at an all-time high of 23.13% in 2019 (NBS, 2019). Therefore it can be confirmed from the above decision that RSFDI does not enhance the employment situation in the Niger Delta.

7.3 RSFDI promotes infrastructural facility, but this has been below expectations

In hypothesis 2, the null hypothesis is rejected. This is because the correlation between RSFDI and Infrastructure are positive, but the correlation is insignificant. Also, from the responses to the questionnaires, the null hypothesis is rejected. This is because the correlation between RSFDI and infrastructure growth is positive, but the relationship is insignificant. A positive correlation exists between RSFDI and infrastructure because the analyses of both primary and secondary data show that an increase in RSFDIs increases infrastructure availability in the Niger Delta. However, both data results also indicate that the increase in the availability of infrastructure arising from RSFDI is insignificant. This result supports the research by Elum, Mopipi and Ukoha (2016), which shows that the Niger Delta region lacks enough basic amenities necessary for human existence.

Infrastructural development is a crucial part of Nigeria's economic development, which is why its impacts on national growth cannot be overemphasised. The need for infrastructure is critical because rural communities provide essential agricultural and non-agriculture products needed for the economic development process in the Niger Delta. However, the region has suffered years of neglect in the context of infrastructure development despite the government's efforts to promote the oil and gas sector, which, ordinarily, should provide enough revenue for infrastructure development.

Lack of basic infrastructure for economic growth is a perennial challenge for developing countries like Nigeria. The influx of FDI in a country is assumed to cause infrastructural development to be accelerated. The reason for this assumption is based on the following: First, a country that is in dire need of FDI inflows should provide the necessary incentive to attract FDIs. Among these incentives is the provision of infrastructures that will enable the ease of doing business when the foreign investors come to invest. Second, when foreign investors come into a country, as part of their corporate social responsibilities (CSR), they can support the government in providing infrastructure based on their business capacities.

The assumption that the availability of FDI will attract infrastructure development has not proved positive in the case of FDIs in the Niger Delta. The low infrastructure situation in the Niger Delta has been contributed by both the Nigerian government and the oil multinationals. All these studies point to the fact that FDI inflows and the growth of infrastructure do have positive and symbiotic relationships. Studies have shown that FDI and infrastructure growth go hand in hand. For instance, a study by You and Teng (2009) indicated a positive relationship between FDI and infrastructure in Pakistan. Also, Shah (2014) found that the presence of infrastructure attracts FDI. Moreover, Othman (2011:2014) found a specific relationship between the presence of electricity and FDI in Malaysia. Despite Nigeria being the biggest oil producer in Africa, ADB (2017b) ranked it at number 23 in the infrastructure development index.

As was mentioned in the literature review, the UNDP (2006) pointed out that the Nigerian government had successively failed to invest in infrastructure development of the Niger Delta region since it started taking oil out of the region. One of the reasons for this failure by the government is lopsided leadership of the country since the commercial discovery of oil and after the country's independence.

Nigeria has largely been ruled by leaders from the Northern region of the country. And government after government, rather than invest in developing the Niger Delta where the country's highest revenue comes from, development has always been focused in the Northern states. Also, Lagos, which was the country's former seat of power benefitted from this development. More recently, infrastructure development by the government has been focused on the Federal Capital Territory (FCT) Abuja, the current capital of Nigeria.

Corruption played and is still playing a pivotal role as to why there is an insignificant correlation between RSFDI and infrastructure development in the Niger Delta. A good proportion of revenue from RSFDI is allocated for the development of the Niger Delta infrastructure inclusive. The Niger Delta Development Commission is specially tasked with this function. However, due to pervasive corruption, the funds are often misappropriated. Corruption undermines positive infrastructural growth in the Niger Delta and conflicting relationships between the community leaders and stakeholders (Adurokiya, 2019). There is widespread hope among the people of the Niger Delta that the

presence of oil and gas multinational companies will bring about general development in their area. However, these hopes are not being realized resulting in strained relationships between Oil multinationals and host communities in the Niger Delta (Enuoh and Eneh, 2015). This contributes to low infrastructure availability in the region. Therefore, it can be concluded that RSFDI did not contribute enough to infrastructure development in the Niger Delta.

7.4 RSFDI enhances the welfare of the people of the Niger Delta but not up to the expected level

From the data analysis, the null hypothesis is rejected. This is because the correlation between RSFDI and standard of living is positive but slightly significant. Also, from the analysis of responses to the questionnaire, the null hypothesis is rejected. This is because the correlation between RSFDI and standard of living is positive, but the correlation is insignificant. The data analysis results on the effect of RSFDI on the welfare of people living in the Niger Delta implies that an increase in RSFDI improves welfare in the region. However, the data also showed that the level of welfare increase is marginal, hence does not reflect the level of RSFDI in the region. This finding is supported by research which estimated the human development index at 24.5% in the Niger Delta compared with the national average of 45.3% (UNDP, 2006). Further, according to Idemudia and Osayande (2016), the operations of multinational oil and gas companies have negatively affected human

development in the Niger Delta. Their presence has not resulted in constructive social and economic development within the Niger Delta (Gonzalez, 2016).

Welfare development has a strong connection with the level of employment and infrastructure development in a country or region. A higher level of employment means most people can adequately provide necessities of life such as food, shelter, good health, clothing for themselves etc. One of the ways a country seeks to increase employment and infrastructure is through growth in FDI. Liang (2017) noted that FDI drives an increase in employment, helps in shoring up productive capital and hence, welfare in countries. Shell (2019) noted that over 90% of Nigeria's foreign exchange earnings come from the oil and gas industry. This level of earning has not translated to improvement in the welfare of the Niger Delta indigenes.

The Niger Delta hosts numerous oil and gas companies. Some of these are engaged in production and exploration activities while others provide service operation to the major oil companies. A fraction of the output of these companies and a re-structuring of employment practices can go a long way in enhancing the welfare of the people of the Niger Delta. In a situation of full employment in the region, people can easily afford and access medicare regularly, ensuring they are always at optimal health.

Another factor that justifies why the welfare situation in the Niger Delta is insignificant compared to the volume of RSFDI domiciled in the region includes

the nature of the RSFDIs. As has been noted from the onset of the research, the RSFDI in the Niger Delta is crude oil from which refined petrol, diesel, natural gas and allied petrochemical products are derived. The process of extracting crude and the crude itself is hazardous if not properly handled. Environmental damages as a result of oil exploration in the Niger Delta are a recurring phenomenon. As noted by Kadafa (2012), environmental damage in the Niger Delta as a result of oil exploration with significant health implications include flooding, gas flaring, soil infertility, sewage and water pollution, coastal and riverbank erosion, noise pollution and deforestation.

Environmental degradation has long term welfare implications. To buttress how the welfare of the people of the Niger Delta has been eroded as a result of RSFDI in the region, in 1991, the representatives from the Ogoni people - Movement for the Survival of the Ogoni People (MOSOP) to the United Nations to made its case. At the United States General assembly, they demanded twenty million US dollars as reparation to be paid to the indigenes of Ogoni to solve complicated health problems arising from contamination of their environment (Akiang, Unimna and Odidi, 2015). The group also made a presentation to the European Union on the ills of oil exploration in the Niger Delta with emphasis on the activities of Shell Petroleum Corporation which is the major European oil company operating in the Niger Delta.

The noise pollution with a negative implication on the welfare of the indigenes of the Niger Delta comes from seismic shooting in the course of exploration

activities. A study from the World Health Organisation (WHO) in 2011, which was titled "Burden of disease from environmental noise" showed that people develop health problems as a result of such exposures. The health problems that WHO linked to environmental noise pollution included difficulty in sleeping, cardiovascular problems, difficulty in learning in children, tinnitus and unexplained annoyance (WHO, 2011).

When sleep is interrupted, it comes with tiredness, diminished memory and ability to create, reduced judgemental ability and impaired psychomotor skills. It has also been shown in research that people that reside close to the environment that generate continual loud noise suffer from headaches and had to be on pills (Savale, 2014) constantly. Most people in a noisy environment must often be sedated as a result of constant complaints of ill-health. The WHO study showed that with this exposure to constant noise, acute stress is set off in the human body leading to high blood pressure and eventually a cardiovascular problem.

Exposure to crude oil has adverse effects on children, pregnant mothers and adults. Exposure to crude oil hazards in the Niger Delta is happening in three different ways. These include through:(a) inhalation, (b) ingestion - which happens as a result of a liquid droplet in the air, and (c) direct contact on skins. The environmental pollutions that happen in the Niger Delta do not just affect the people currently living there but unfortunately future generations even when oil exploration has ended in the area.

Another critical source of health problems for the people living in the Niger Delta is gas flaring. When gas is flared, sulfur dioxide and nitrogen dioxide are emitted into the atmosphere. Sulfur dioxide is considered a critically reactive gas has been linked to serious health problems, including a negative effect on the respiratory system. A positive relationship has been observed between gas flaring health problems in the Niger Delta. Banerjee and Toledano (2016) established polluted air which is a result of gas flaring led to several health issues in patients. Some of the illnesses diagnosed as a result of gas flaring include chest, rheumatism, eye and bronchial diseases. The study has also identified that gas flaring results in serious public health challenges. In the Niger Delta, several premature deaths have been recorded as a result of polluted air from gas flaring (Amann et al. 2017).

Air pollution from gas flaring led to several adverse health challenges including cancer; neurological, reproductive and developmental anomalies (Ajugwo, 2013). He also observed that the effects of gas flaring led to deformities in children, lungs damage and skin problems. Gas is flared from hydrocarbon, which is known to result in negative alteration in haematological parameters. The consequence has been negative effects on blood and blood-forming cells. This situation results in pancytopenia, anaemia and leukaemia (Ajugwo, 2013). Therefore, it can be concluded that RSFDI is not doing enough to ensure that the health and wellbeing of the Niger Delta host communities for oil and gas companies is optimal.

7.5 RSFDI in the Niger Delta promotes GDP growth

From the data analysis, the null hypothesis is rejected. This is because the correlation between RSFDI and GDP growth is positive, but the correlation is insignificant. Also, from the data analyses of the responses to the questionnaire, the null hypothesis is rejected. This is because the correlation between RSFDI and GDP growth is positive, but the correlation is also insignificant. The implication of the results from both secondary and primary data analyses is that increases in RSFDI result in growth in the country's GDP. However, from the data, RSFDI contribution to GDP growth is negligible. The possible reason for this outcome is that most profit from RSFDI is often repatriated to the home countries or offshore headquarters of the investors. Therefore, there is a little trickledown effect on the economy of Nigeria.

Oil and gas multinationals add value to the local economy in some other countries where they build and operate oil refineries and petrochemical companies. Nigeria is the highest producer of crude oil in Africa; however, her capacity to refine crude oil to ensure value addition is at a very low level (Abam et al., 2014). In Nigeria, the oil gas multinationals do not engage in value-adding activities such as refining of petroleum products; this makes their impact on the country's GDP growth minimal. Adeleke, Olowe and Fasesin (2014) and Nweze and Ndame (2016) reached conclusions that are similar to the findings of this research. They found that RSFDI contributes to GDP growth, but growth could have been optimised if the multinationals have been engaging in crude oil refining.

As noted from the research findings, the contribution of RSFDI to GDP growth in Nigeria is negligible. This ought not to be the case since the sector forms the bulk of the country's RSFDI inflows. This low contribution of RSFDI to GDP growth results in a situation where the country is often borrowing year on year to supplement its budgets. Excessive borrowing by the government for capital projects as a result of the inability of the country's core sectors such as oil and gas, lead to a situation of mounting debt profile for the country. Foreign debts have been shown to have a long run non-linear relationship between foreign debt and a country's economic growth (Panizza and Presbitero, 2014). The underlying implication has been that the accumulation of foreign debts hurts the economy in the long run. This happens mostly as a result of high rate debt service to GDP ratio.

The attempt to achieve enhanced GDP growth in the country is always negatively affected by the presence of institutional corruption. As has been identified in the literature review, countries, including Nigeria, try to achieve GDP growth by promoting FDI inflows into their respective domestic economies. The presence of a high level of institutional corruption affects the performance of foreign capital inflows concerning GDP growth. For example, in the case of oil RSFDI in the Niger Delta, because of corrupt disposition of public officials, the oil industry is not regulated sufficiently to ensure that the country derived optimal revenue amount from the industry (Ambituuni, Amezaga and Emeseh, 2014). With this happening, the GDP growth attributable to the oil and gas industry is not optimised.

Local and foreign oil companies in Nigeria are involved in stealing the country's oil revenues with help from public officials. For example, a former Central Bank of Nigeria Governor Mr Lamido Sanusi reported that for 19 months, from January 2012 and July 2013, 76 per cent of the crude oil revenue generated by Nigerian National Petroleum Corporation (NNPC) was not transmitted to the Federation account with the Central Bank of Nigeria (Hildyard, 2018). This is in gross violation of the law because the NNPC just like any other state institution Nigeria is mandated to credit the country's federation account with Central Bank with all revenues generated (Ojide and Ogbodo, 2015). According to the Sanusi report, oil revenue lost from NNPC's Strategic Alliance Agreement with private companies and other activities in 2014 amounted to \$49.8 billion (Hildyard, 2018). Also, according to the Sanusi report, lost revenue as a result of funds not transmitted to the federation account is equivalent to 40 times Nigeria's annual budget for the health sector (Hildyard, 2018).

There is also the case of outright diversion of oil revenue by country's public officials. According to Ibekwe (2014 p.10), for seventeen years, dating from 2003, "several high-level government officials in Nigeria have faced corruption charges totalling twenty-two trillion dollars related to oil revenues." The nature of the country's major revenue stream, which is the oil and gas is unique. It is unique in the sense that it is highly concentrated in a major sector. This concentration is in the form of oil and gas revenue is controlled mostly by foreign corporations that interface with few government agencies. Therefore, it is so easy for a few to divert the country's oil and gas revenues for their

benefits at the expense of the country's growth and the rest of the population (Donwa, 2015). Hence, it can be concluded that RSFDI does not significantly contribute to Nigeria's GDP growth.

7.6 Summary

The issue of adequate skills when seeking employment cannot be over-emphasized. One of the reasons the RSFDI companies are not fully engaging people from the Niger Delta is because of the paucity of required skills among the workforce. The preference for expatriate workers by RSFDI companies affects the ability of people from the Niger Delta in getting jobs in the oil and gas companies. Regulatory environment affects the employment practices of RSFDI within the Niger Delta. Lack of effective collaboration between the oil and gas companies and the Nigerian government affect the development of the Niger Delta in terms of employment generation, infrastructure provision and welfare enhancement.

Ineffective leadership and corruption, especially on the part of the Nigerian government, contributed as to why the region has suffered and still suffering from neglect. This accounts to why the oil and gas companies can afford to degrade the Niger Delta environment and not made to account for their actions. When governments borrow from internal and external sources to fund developmental products and end up not using the resources for what they are meant for, the countries suffer consequences. One of these consequences is the lack of economic growth that such borrowed funds could have ensured.

Chapter 8: Conclusion

8.1 Summary

Extant Literature evidence showed that a positive relationship exists between FDI and economic growth in countries. Every country on earth pursues economic growth as an objective. Since FDI is considered one of the avenues to achieve economic growth, every country wants to attract foreign investors into its economy. Foreign investors do not come into countries to invest just by asking. If a country wants to have foreign investors coming into its country, it must put positive measures that will be attractive to a foreigner to take the risk and come and invest. Hence, for a country to have foreign investors coming into its country to invest, it must ensure quality modern infrastructures that enhance ease of doing business. It must ensure that institutions in the country are in such that they will always make the country conducive for foreigners to conduct their businesses. It needs to ensure that its economy does not restrict international trade and transaction, including legal free movement of persons. Most importantly, it needs to ensure that corruption is at the lowest level compared with other international jurisdictions.

Motivations for foreign investors to invest in a country is important in determining how an FDI performs in the economy. Identified motivations for foreign investors to come into a country include resource seeking, market seeking, strategic assets seeking and efficiency-seeking. All these motivations have been identified in the literature, but the focus of this research is resource

seeking FDI and its effects on economic variables in the Niger Delta including employment generation, infrastructure development, welfare enhancement and economic growth in Nigeria.

The Nigerian economic environment concerning the oil and gas industry showed that the bulk of Nigeria's government revenues come from oil and gas. The country's political environment drives the economic environment and structure. Before the 1970s, the country's economy was fairly distributed among different sectors including manufacturing, agriculture, mining, retail etc. However, from 1970 upwards when the country began to generate substantial revenues from crude oil it gradually abandoned the other sectors. This resulted in high inflows of FDIs into the oil and gas sector. These investments in the oil and gas sector are domiciled in the Niger Delta, and this has been the essence of this research. Again, the country has had policies and frameworks on FDI. However, most have always been neglected because of the presence of the oil industry. Major oil and gas companies in the world are represented in the Niger Delta. Despite this presence, the region has not felt a positive effect of FDI, rather what is seen in the region is huge environmental degradation, poverty, unemployment, poor quality and insufficient infrastructure.

To achieve the value chain objective, companies engage in vertical foreign direct investment, where they invest in industries that utilise their output. In the case of the Niger Delta, major value chain activities for the oil and gas

companies in the refining of their crude production but none of the multinational companies did that in the Niger Delta.

Several theories have been suggested for FDI beginning from the period of international trade. The theories that were reviewed in this study include classical trade theory which suggests absolute cost advantage in trade between nations, neo-classical trade which suggest comparative cost advantage in trade between nations. Others include product life theory, portfolio theory, market imperfection theory, internationalisation theory, oligopolistic theory and the eclectic paradigm. Classical growth theory, neoclassical growth theory, endogenous growth theory sometimes called the new growth theory, and Porter's competitive advantage have all been suggested for economic growth. All these theories were reviewed in this study. Market imperfection theory and Porters competitive advantage form the theoretical foundation in this research for FDI and economic growth, respectively.

The philosophical and methodological foundation for the research is positivism. This is because the researcher believes that new knowledge can be achieved through the application of the scientific method. Both primary and secondary data were collected for the research and analysed quantitatively. The primary data was collected using structured questionnaire which were administered to select audience from the oil and gas industry. Also, community leaders and NGOs with a focus in the Niger Delta were included in the survey. The survey

for this research is unique, no previous study in the subject area has employed this primary data collection approach.

It is quantitative research method that used primary and secondary data. The secondary sources including the World Bank, the Central Bank of Nigeria, Ministry of Niger Delta and the Nigerian Bureau of Statistics. Again, the study is unique in that it used both primary and secondary data in its analysis and no previous research in the subject area has used this peculiar method in data collection and analysis. The research is also unique in its presentation because it employed a combination of variables that have not been previously used by other researchers. These variables include employment, infrastructure, welfare and GDP.

At end of this research, it has been concluded that RSFDI does not contribute to employment generation in the Niger Delta. It does not sufficiently contribute to infrastructure development in the Niger Delta. It does not sufficiently contribute to welfare enhancement in the Niger Delta and does not significantly contributed to GDP growth in Nigeria.

The figure below depicts how RSFDI affects employment, infrastructure development, welfare enhancement and GDP growth. The figure also portrays some variables capable of negative effect on economic growth.

8.2 Reconsideration of the research objectives

8.2.1 Research objective 1: To evaluate the effect of RSFDI on employment generation in the Niger Delta

In order to meet the above objective, some of the literature that was reviewed include;

1. Loan (2014), which claimed that the level of employment to be generated is determined by the degree of economic performance and economic growth.
2. Long and Ji (2019) which claimed that economic growth requires an increase in the scale of economic activities and that economic growth promotes welfare within an economy.
3. Burstein and Monge-Naranjo (2009) and Iamsiraroj (2017) who stated that a positive correlation between FDI inflows and economic growth has been reported.

Therefore, the following hypothesis was developed;

H0: In Niger Delta, there is a negative correlation between RSFDI and employment generation.

H1: In Niger Delta, there is a positive correlation between RSFDI and employment generation.

Secondary and primary data were collected in order to test the hypothesis and to meet the above objective. A regression analysis was carried out both on the primary and secondary data to meet the above research objective. It was

found from both analyses that RSFDI does not promote employment in the Niger Delta. The implication of this result for policymakers is that they may have to refocus their attention on the nature of FDI that is given priority within the country.

Data on unemployment rate in the Niger Delta from 1994 to 2016 was analysed. This data represents the level of unemployment in the Niger-Delta, and it is a yearly data. The researcher observed a recurring pattern in the data for the Niger-Delta from 1994 to 2016, showing the seasonality of the data on the unemployment rate there. The researcher observed that the unemployment rate had been fluctuating over the years. However, the highest level of unemployment was recorded in 2011. The implication is that unemployment was on the high side in the Niger Delta region. The respondents' age for the questionnaire ranged from under 25 and above. There was a fair representation of both sexes; the male respondents were 253 in number while female respondents totalled 247. Also, the five core states of the Niger Delta were fairly represented in the sample.

The research finding on the relationship between RSFDI and employment is that RSFDI does not promote employment generation in the Niger Delta. This is because increases in RSFDI in the region do not result in commensurate increases in employment opportunities in the Niger Delta. The reason RSFDI over time has not resulted in an increase in employment for the host communities in the Niger Delta is that oil multinationals often bring in workers

from their home countries. Secondly, the government is not regulating the industry well enough to ensure that the oil multinationals give priority to employing indigenes of the Niger Delta.

Again, the Niger Delta Development Commission (NDDC), which is the government agency created specifically to develop and promote employment opportunities in the Niger Delta, has not been effective in its functions. NDDC is not effective at co-ordinating with the multinational oil companies in the area of job creation. One of their core functions is to train young people with critical oil and gas sector skills so that they can be employable. However, the organisation has not been meeting this objective, giving the oil and gas companies reason not to employ a good number of people from the Niger Delta to vacant positions.

8.2.2 Research objective 2: To analyse the effect of RSFDI on asset tangibility (Infrastructural facilities) in Niger Delta.

In order to meet the above objective, some of the literature that was reviewed include;

1. Bhattacharya, Romani and Stern (2012) claimed that infrastructure availability is a challenge for FDI, especially in a developing country.
2. Francois and Manchin (2007) and Sahoo and Dash (2009) who stated that poor or inadequate infrastructure leads to waste of productive time and money, hence, have adverse effects on a country's economic growth.

3. You and Teng (2009) who stated that there is a positive correlation between Infrastructure availability and economic growth in Pakistan.

Therefore, the following hypothesis was put forward:

Ho: In Niger Delta, there is a negative correlation between RSFDI and the availability of tangible asset (infrastructural facilities)

Ha: In Niger Delta, there is a positive correlation between RSFDI and the availability of tangible asset (infrastructural facilities)

Secondary and primary data were collected in order to test the hypothesis and to meet the above objective. A regression analysis was carried out both on the primary and secondary data, and it was found from both analyses that RSFDI effect on infrastructure availability in the Niger Delta is negligible. The implication of this result for policymakers is that they may have to refocus their attention on the nature of FDI that is given priority within the country.

Infrastructure development recorded growth yearly from 1994 to 2016 except for 1999 when infrastructure development showed a decline compared with the previous year. Research findings on the relationship between RSFDI and infrastructure are that RSFDI contributes to infrastructure development. However, the observed results indicate that although increases in RSFDIs contribute to year on year increase in infrastructure stock, the recorded increment is a marginal year on year. It is expected that increases in RSFDIs should result in increases in the scale of available infrastructure in the Niger Delta. This has not always been the case, as shown in the result of data

analysis. Several factors contribute to why increases in RSFDIs result in a marginal improvement in infrastructure.

Fundamental among these factors is the low responsiveness of the oil and gas multinational companies operating in the Niger Delta. Despite generating huge profits from their operations in the Niger Delta, the companies are not investing adequately in their immediate area of operations infrastructure wise. NDDC has not been effective at their mandate, which is to accelerate the development of the Niger Delta, infrastructural development inclusive. Part of NDDC funding comes from the oil and gas multinational companies. It is expected that some of the funding that comes from the oil multinationals should be channeled towards developing infrastructure in the Niger Delta. However, NDDC, as a developmental institution, has failed to realise this objective.

Corruption plays a crucial role in why huge investments by RSFDIs are not translating to a substantial increase in the available infrastructural facilities in the Niger Delta. The effect of corruption here can be seen from two dimensions. One, government officials responsible for interfacing with oil and gas companies and the Nigerian government often collect bribes from the multinational oil companies. Due to this, they are not able to objectively enforce compliance of the oil and gas companies to development obligations in the Niger Delta. Another aspect of corruption is that despite the huge revenue from the sale of crude oil from Niger Delta, the Federal Government

of Nigeria has not translated the inflow of cash into a vehicle for developing the region.

This is because the bulk of oil and gas revenues from the Niger Delta are often stolen and diverted by public officials. According to Jersey's Civil Assets, Recovery Fund is an example of a former military president, General Sani Abacha, who stole \$209 billion from the coffers of the country between 1993 to 1998. Over ninety per cent of this amount came from RSFDI revenues. In this kind of scenario, the country is starved of vital resources that should have been deployed towards developing places like the Niger Delta.

8.2.3 Research Objective 3: To assess the effects of RSFDI on the standard of living (using income per capita growth).

In order to meet the above objective, some of the literature that was reviewed include;

1. Pigou (2017) which stated that welfare is measured by the degree of living standards and prosperity in a given economy.
2. Ordu, (2017), Evans and Kelikume (2018), Saeed and Syed (2018) who stated that foreign cash inflows are vital to achieving improvement in the welfare of the citizens in a country.
3. Liang (2017) who stated that FDI provides opportunities for employment, enhances welfare and support the building of productive capacity in a country.

Therefore, the following hypothesis was suggested:

Ho; In Niger Delta, there is a negative correlation between RSFDI and improved standard of living (Health & wellbeing)

Ha; In Niger Delta, there is a positive correlation between RSFDI and improved standard of living (Health and wellbeing)

Secondary and primary data were collected in order to meet the above objective. A regression analysis was carried out both on the primary and secondary data to meet the above research objective. It was found from both analyses that RSFDI effects on welfare in the Niger Delta are negligible. This result for policymakers implies that they may have to refocus their attention on the nature of FDI that is given priority within the country.

Research findings on the relationship between RSFDI and welfare are that RSFDI contributes to welfare in the Niger Delta. However, the observed results indicate that although an increase in RSFDI contributes to improvement in welfare in the Niger Delta, these contributions are so minuscule that the impact is not felt by way of overall increase the region's standard of living.

The state of affairs on the relationship between RSFDI and welfare is dictated by a number of factors. One of these factors is the insensitivity of the oil and gas multinationals to the poor standard of living of their host communities. For example, in Niger Delta; oil spill and industrial waste is never prioritised. However, Some of the ways to improve the welfare and standard of living of host communities will be the provision of community health centres, clean

water and infrastructure as was stated in the infrastructure objective. Again, the realisation of the employment objectives will increase the capacity of the people to earn a good living, which translates to an improvement in their standard of living.

Another factor that justified the research findings on RSFDI and welfare is the scale of environmental pollution that is taking place in the Niger Delta. Massive environmental degradation as a result of oil exploration and production activities has destroyed a greater percentage of the Niger Delta forests and aquatic lives. This scale of environmental degradation has two major implications on the welfare of the RSFDI host communities in the Niger Delta. First, food production and fishing activities, which used to be the mainstay of the local communities, are no longer viable; hence, reducing the ability of the people to thrive economically. Secondly, environmental pollution has caused and is still causing health problems for the inhabitants of oil and gas RSFDI operation locations. This account why there is a marginal contribution by RSFDI to the welfare of the inhabitants of the Niger Delta region.

8.2.4 Research Objective 4. To determine the impact of RSFDI on GDP growth in Nigeria.

In order to meet the above objective, some of the literature that was reviewed include;

1. Lamsiraroj (2016) stated that FDI inflows add value to the local economy by facilitating domestic enterprises through the transfer of technology and human capacity development.
2. Utama (2012) stated that FDI contributes to the revamping of the domestic economy through domestic investment and contributing to the growth of other industries supplying input materials.
3. Asiedu (2013) claimed that FDI flows into serves as an effective mechanism in tackling the menace of poverty and facilities the growth of countries.

Therefore, the following hypothesis is put forward:

Ho: RSFDI in Niger Delta does not contribute positively to Nigeria GDP growth.

Ha: RSFDI in Niger Delta contributes positively to Nigeria's GDP growth.

Secondary and primary data were collected and analysed in order to test the hypothesis and to meet the above objective. A regression analysis was carried out on both the primary and secondary data. It was found from both analyses that RSFDI effect on GDP growth is negligible. This result for policymakers implies that they should be more refocus to identify the nature of FDI that will harness the natural resources in Niger Delta for Nigeria's economic growth.

Research data covers the period from 1994 to 2016. The GDP recorded consecutive growths from 1994 to 1997. It declined in 1998, picked up in 1999 and recorded growths from then to 2004. It declined from 2005 to 2009 and grew in 2010. It declined consecutively from 2011 to 2016. Research finding

on the relationship between RSFDI and GDP growth is that RSFDI contributes to GDP growth in the Niger Delta. However, the observed results indicate that although increases in RSFDIs contribute to GDP growth in the Niger Delta, the recorded growths are marginal and not capable of increasing the economic status of the region substantially.

A possible reason that justifies the above research finding on the relationship between RSFDI and the GDP growth in the Niger Delta is the problem of profit repatriations. Most of the earnings by the oil and gas multinational companies are often sent back to the offshore headquarters; hence, little value is derived from the profit accruing from oil and gas explorations. Most of these oil and gas multinationals also do not locate their Nigerian head offices in the Niger Delta. Their Nigerian head offices are located in Lagos, south-west of Nigeria. As a result of this, the Niger Delta does not enjoy the developmental benefit of having the head offices of these oil and gas companies in their region. Since their head offices are located in Lagos, major transactions of the companies and the spending of their senior management and staff, which contributes to the flow of income and hence GDP growth, happens in Lagos and not in the Niger Delta.

Finally, the fact that none of the oil and gas multinational companies invested in the refining of crude petroleum in the Niger Delta contributes to their marginal contribution to the GDP growth. As soon as crude oil is extracted from the region, it is exported as a raw product to other countries and offshore

refiners. The refined products are eventually re-imported into the country for local consumption. With this mode of operation, there are virtually zero value chain activities in the industry in the Niger Delta, hence its low contribution to the region's GDP growth. The section will not be complete without a mention of the part the Nigerian government plays in keeping the RSFDI's contribution to the growth of the economy of the Niger Delta marginal. The Nigerian government does not invest in infrastructure development of the region despite the region accounting for the greater percentage of the country's fiscal revenue. The region will not achieve substantial growth without these investments in infrastructure.

8.3 Contribution of the Study to Knowledge

The decision to take on an empirical study is informed by the need for research and gap in existing literature in the subject area. This study is no exception and contributes to the theory and practice of FDI.

8.3.1. Theoretical contribution

1. This study contributes to the theory of international trade and development, such as the reconfirmation of the Market Imperfection Theory and Michael Porter's theory. The theory of market imperfection and Porter's theory of competitive advantage are both based on disparities in market condition. This will allow researchers in the area of FDI to have information to build on when writing on various aspects of FDI and motives for investor's entry into a foreign market. This study provides insights to potential foreign investors for

opportunities available via the country's population to seek to invest because of the country's population and potential purchasing power rather than because of the country's abundant natural resources.

2. To the body of academics, this study will serve as a springboard for further researches. One important question that has troubled scholars is the predominance of poverty in the Niger Delta despite the massive inflow of multinational corporations. The decision to use resource seeking FDI clarifies the puzzle and will make a major contribution to secondary literature for future studies along this line. It will also be a reference point for future scholars around the world that will want to study the effects of the activities of oil and gas companies on the wider environment and not just the Niger Delta region of Nigeria.

3. Methodological contribution. This is the first research that combines primary and secondary data in one single study. The research philosophy, strategy, approach and analytical techniques such as the use of Ordinary Least Square (multiple) Regression to evaluate the relationship between variables, serves as a reference point to the body of academics and researchers in other countries.

8.3.2 Practical contributions

1. In terms of oil and gas, this study helps us to measure the impact of RSFDI on employment, infrastructural development and welfare of the people living

in the Niger Delta of Nigeria where the bulk of FDI to the country is located. Also, the study helps to ascertain if RSFDI broadens economic growth in Nigeria. The study will help the industry that appreciates the need to take value chain activities seriously. When this happens, the industry will be in the position to employ more people, potentially from the Niger Delta. It will help the industry to look inwards towards employment and potentially take it upon themselves to train local workers from the Niger Delta so that they meet their employment requirements.

2. This is the first study to look at RSFDI in Nigeria because other studies used different philosophy and methods etc. This study highlighted the difference between RSFDI and MSFDI; previously, FDI is seen as a singular concept. This study will enable policymakers in the industry to ensure balance when trying to attract foreign investments in the country. Market seeking FDI tend to come to a country where there is a large population with potentially good purchasing power that foreign investors can generate good revenue. With this form of FDI promoted in the country, more foreign investors can generate opportunities for employment rather than relying mostly on resource seeking FDI.

3. The outcome of this research will enable stakeholders to take the necessary steps to ensure that their failings within the Niger Delta are strategically addressed. On employment, the stakeholders, primarily the oil and gas multinationals, on adopting the outcome of this research, should improve their employment practices to give priority to training and employment of the Niger

Delta indigenes as a corporate social responsibility. The Nigerian government, on reading the outcome of this research, will create policies that will compel the oil and gas companies to give employment priorities to the indigenes of the Niger Delta. Equally, the research should motivate both the Nigerian government and the oil and gas companies to invest in welfare and support projects such as hospitals, schools, motorable roads and water projects in the region.

4. This study is invaluable because it will help to guide the decisions of economic policymakers and regulators in Nigeria because of the strong base and relevance of the economic variables such as employment, infrastructure, welfare and GDP that is used in the study. Additionally, this study is expected to have full policy implication, especially for the government of Nigeria and the government of other countries that find themselves in a similar situation of surviving in a degraded environment.

5. This study will be of immense benefit to managers because it will provide them with a platform and a reference point to understand the challenges of RSFDI in the Niger Delta. Also, managers can potentially use the study as a point of reference for the needed solution to the challenges that the Niger Delta is facing. So with the information in the study, where the evidence supports or is against any of the economic variables, the managers will begin to rethink strategies that will help the multinational corporations improve in their services and obligations to the Niger Delta area.

6. The study contributes to existing knowledge on the best approaches to attracting FDIs in order to ensure that they effectively enhance economic growth and directly improve the lives of the people living in the local economies where they are located. This can be achieved by investing massively in telecommunications infrastructure, extended road networks and other vital infrastructures including countrywide drainages and implementing the policies that encourage FDIs to invest in the country. Some of these policies include sound and fair legal institution, advanced and effective educational institutions, tax incentives, trade openness and ease of doing business in the country.

8.4 Recommendations

1. As crucial as the attraction of FDI into a country is, a country's strategic preparation and positioning are equally vital to ensure that when these investments come, they will translate to economic growth and development and practically improve the quality of lives of the citizens. An example of strategic positioning in the case of Nigeria will be to ensure that the corruption index in the country is below the globally accepted standard. Another crucial strategic positioning necessary for reaping the benefits of FDI is by ensuring that the universal rule in good governance is implemented and adhered to by the country's leaders.

2. Relevant authorities charged with oversight of institutions tasked with the tailored development of the Niger Delta region of Nigeria should be made to

perform optimally. More importantly, Nigeria should encourage civil societies, in the form of NGOs, to always put pressures on the institutions that have been created to ensure the provision of infrastructures and the development of the Niger Delta. Also, NGOs should always encourage advocacy and other means to encourage and pressure the government and its agencies for effective implementation of both environmental regulations and oil industry policies and laws.

3. The Nigerian government should ensure that it mandates and compels the oil and gas companies operating in the Niger Delta to always observe global safety standards in every of their production activities. Again, in the event of any form of accidental oil spills, they should immediately carry out cleaning up of the area. As a way of minimising oil spills, no oil spill should be allowed to go without substantial fine to the offending companies as is obtained in more advanced countries. This is a very critical measure as the oil and gas companies, comparing the potential punishment costs and the added clean-up costs with the cost of putting in place adequate proactive measures to prevent oil spills, will more likely improve their safety measure to be at par with what is obtainable in the advanced countries.

4. Still, on safety, part of oil spills occurring in the Niger Delta is as a result of pipeline vandalism by warring youths in the region. The Nigerian government and the oil and gas companies, as part of their corporate social responsibility, should embark on the practical development of the Niger Delta.

Substantial development of the Niger Delta will be a proactive safety measure on the part of the government and the oil and gas companies because if the area is well developed and the citizens are not suffering untoward pains, the incidence of pipeline vandalism may come to an end.

5. In addition to the substantial development of the area, the Nigerian government and the oil and gas multinationals should provide effective platforms for educating every indigene from the area that is willing to access formal education and training. The gained valuable knowledge and skills will provide opportunities for everyone to earn a sustainable income. Once people are educated and trained, it becomes difficult for them to resort to dangerous activities out of frustration. The country needs to build more schools, especially colleges that are focused on oil and gas education. In this way, more of the indigenes will be qualified to seek employment in the oil and gas industry.

6. The government should provide the enabling environment for small businesses to thrive in the Niger Delta area because they have the potential to bring multiplier effects to the growth of job opportunities. Mere educating of people is not enough to alleviate their poor status, the provision of job opportunities is essential to ensure that after graduation from schools and technical training, people should be able to get into the labour force and entrepreneurship. With this achieved, the incidence of violent attacks on the oil and gas industry and their installations would have curbed.

7. There should be a refocus of the Nigerian government on issues relating to FDI attraction. In as much as RSFDI will always be part of the country's economic landscape given the country's natural resource endowment, other forms of FDI should be given attention and importance. More importantly, market-seeking FDI, such as Honda Motor Corporation of Japan that is attracted by population size, purchasing power capabilities and market size, ought to be given due consideration. A market-seeking form of FDI tends to be value-adding in nature; that is, they provide a lot of value chain linkages with other industries within an economy. This provides opportunities for more jobs and economic growth.

8. Sustained economic growth will trickle down to even the remotest of places including Nigeria's Niger Delta local environment, improving prospects for better standards of living for Niger Delta people. The country is not lacking sufficient resources to stimulate the economy of the Niger Delta and the whole country. The achievement of all of these recommendations requires political will on the part of the Nigerian government to eschew corruption and optimally direct resources to achieve enhanced growth both in the Niger Delta and in the country. Also, the oil and gas multinationals will need to apply in the Niger Delta the same standards they use in other countries where they operate with respects to environmental protection, employment practices and CSR initiatives.

8.5 Limitations of the Study

Resource constraints constituted the first major limitation of the study. This is because aside from programme fees, studies of this nature require a lot of financial involvement which takes the form of moving around in search of data and literature. The issue of gathering sufficient data cannot be overemphasised.

The study is focused on the activities of MNEs in Nigeria's Niger Delta region. The reason for this is that the bulk of foreign direct investment into Nigeria is in the region by way of investment in the oil and gas industry. Also, since oil and gas exploration, which forms the most considerable part of Nigeria's foreign exchange

Earning happens in the Niger Delta, the researcher had to limit the research scope within the region. This way, the research result can have the intended effect. Again, the researcher limited the study within the Niger Delta region because it is the only region where natural resource exploration by foreign investors is having the most devastating effect on the environment and the livelihood of the people living in the area. For the effect of RSFDI in the Niger Delta on Nigeria's economic growth, the research had to limit the study to a period of 23 years, and this was informed by the length of data the researcher could access.

Another limitation is not using interviews (qualitative research) for an in-depth analysis of the research problems for policies and decision-makers.

Finally, a reason for not using qualitative is the subjective type of outcomes which can never be replicated in a large population like Niger Delta.

8.6 Proposals for Future Research

The research is founded on the bedrock of existing research in the area of FDI and economic growth with specific emphasis on RSFDI. That is, the researcher has relied on existing research to be able to get this far in this research. Having reached a conclusion on this research, I propose that further studies still be done in the area of the effect of RSFDI on infrastructure development, employment opportunities and the standard of living of the people living in the area where an RSFDI is located to build on the findings in this study. This proposal for future research is made because there are still unexplored aspects of the effect of RSFDI on infrastructure development, employment opportunities and standard living with respect to Niger Delta.

This research has focused on the effect of RSFDI on employment generation, infrastructure development and welfare of host communities. A comparative study on the effect of RSFDI on the host communities should focus on the effect of their operations on the environment. Also, comparative studies on RSFDI should focus on value creation from the activities of RSFDIs. That is an investment in linkage industries capable of enhancing the value of extracted

raw materials before export. There should also be a comparative study on the effect of RSFDI in Nigeria with RSFDI in other countries using similar variables.

As noted in this research, the availability of the primary resource is one of the reasons multinationals internationalise their operations. Two reasons account for this motive, one; multinationals internationalise into a host economy to secure primary resources for their industries back home. Secondly, they internationalise to a host environment with abundant natural resource to explore and earn both domestic and export earnings from the resources. It is hoped that future research into RSFDI while ensuring that opportunities for stakeholders to benefit economically could also shed light on strategies that could ensure that the wider societies enjoy positive benefits. Benefits especially concerning health and wellbeing, infrastructures and enhanced living standards devoid of environmental degradation.

Future research on the effect of RSFDI on employment could examine strategies that could be implemented to achieve an improved level of job creation in the oil and gas industry. This will correct the present situation where the industry, while accounting for the bulk of the country's FDIs, generates very little employment in the Niger Delta. It is hoped that future research into the effect of RSFDIs will direct focus on government and stakeholders' policies on the expected trickle-down effects of RSFDIs. For instance, reinvestment of profits in other sectors of the local economy outside extractive industries. Also, future research could consider strategies to achieve comprehensive training of

local labours so that they could meet the employment requirement of the multinational RSFDIs.

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