Title of Article: Foreign Direct Investment, Non-Oil Exports, and Economic Growth in Nigeria: A Causality Analysis

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Abstract: The study examines the applicability of the export-led growth (ELG) hypothesis using empirical evidence from Nigeria. The bulk of FDI inflow into the country goes to the oil sector of the economy. But FDI from the perspective of efficiency-seeking indicates that foreign capital always aims at taking advantage of cost-efficient production condition. There is the general belief that this motive is predominant in sectors where products are produced mainly for regional and global markets and competition is mostly based on price and not on quality differentiation. In Nigeria, the role of FDI in the non-oil exports – growth nexus has hitherto been under-researched. This role therefore is the major focus of this study. A causality analysis of the relevant variables was undertaken in order to verify the relevance of the ELG hypothesis in the Nigerian economy. Empirical evidence from available data failed to support the export-led growth hypothesis in Nigeria. Besides, the dynamic interaction among FDI, non-oil exports, and growth of the Nigerian economy was also investigated using the concept of variance decomposition and impulse response analyses is. The result of the variance decomposition supports an earlier result obtained from the causality analysis which revealed that, a unidirectional causality runs from FDI to non-oil exports. Responses of the three variables to one standard deviation innovations were on the average, found to be dormant in the early stages of the out-of-sample forecast period but all demonstrated more pronounced responses after about 7 years into the forecast period.