Abstract: In the past thirty years, there has been a new wave of global interest in the Foreign Direct Investment as a tool of economic and financial development. The study’s objective was to look into Foreign Direct Investment with emphasis on the financial system, and their motives that are generally the same as for portfolio investment, which is to earn higher returns and to diversify risk in a fast growing world of international integration and globalised world economy with particular reference to governance and development impacts in developing countries in Africa. The most controversial and alleged harmful effects of foreign direct investment on developing host countries is the allegation of dominance of their economies. Another is the siphoning off of R & D funds to the home nations which keeps host developing countries technologically dependent, and hence prevents them from being used to establish domestic enterprise that might be more important for national growth and development. The method of data analysis used to test the hypothetical statements was multiple regression analysis. From the summary of this study, we infer from our results that as foreign direct investment flow in, foreigners establish undue influence and control on the local economy and siphoning off of R & D funds to home nations keep host developing countries technologically dependent. Finally, since foreign direct investment is so principal to economic development, it should be attracted to the economy especially those of developing countries. Government however, must decide their policies towards foreign direct investment restricting it to certain lines of activity, particularly guarding carefully vulnerable sectors.