Research Article Doi:

EFFECTS OF INTERNATIONAL TRADE ON ECONOMIC GROWTH IN NIGERIA [1]

1. Deqa Ali Omar [2] **ORCID No: 0000-0001-9012-7205**
2. Yunus Özcan [3] **ORCID No: 0000-0001-7895-0194**

Başvuru Tarihi: 08.07.2022 Kabul Tarihi: 15.07.2022 Yayın Tarihi: 14.09.2022

ABSTRACT

The research investigates the impact of international trade on the Nigerian economy. This research looks at the effects of FDI, exports, imports, and inflation on Nigeria's growth. According to research, FDI boosts Nigeria's short-term economic development. Long-term FDI harms Nigeria's economic growth. Nigeria should increase FDI and market size to stimulate low-capital startup development, banking, and information technology. According to the research, exports and imports have no effect on Nigeria's short- or long-term economic growth. Nigeria's exports and imports are hampered by a lack of funds, technology, management, and unskilled labor. Reduce import tariffs. Export subsidies lower imports, promoting growth. Short-term, inflation boosts Nigeria's economy, but long-term, it harms.

Keywords: Foreign Direct Investment, Exports, Imports, Inflation, Gross Domestic Production

ULUSLARARASI TİCARETİN NİJERYA'DAKİ EKONOMİK BÜYÜME ÜZERİNE ETKİLERİ

ÖZET

Bu araştırma, uluslararası ticaretin Nijerya ekonomisi üzerindeki etkisini araştırmaktadır. Araştırma, Doğrudan Yabancı Yatırım (DYY), ihracat, ithalat ve enflasyonun Nijerya'nın büyümesi üzerindeki etkilerini incelemektedir. Araştırmaya göre, DYY Nijerya'nın kısa vadeli ekonomik kalkınmasını artırıyor. Uzun-vadeli DYY, Nijerya'nın ekonomik büyümesine zarar vermektedir. Nijerya, düşük-sermayeli başlangıç geliştirmek, bankacılık ve bilgi teknolojisini teşvik etmek için DYY'yi ve pazar boyutunu artırmalıdır. Araştırmaya göre, ihracat ve ithalatın Nijerya'nın kısa veya uzun vadeli ekonomik büyümesi üzerinde hiçbir etkisi yoktur. Nijerya'nın ihracat ve ithalatı, fon, teknoloji, yönetim ve vasıfsız işgücü eksikliği nedeniyle engelleniyor. İthalat tarifeleri azaltılmalıdır. İhracat sübvansiyonları ithalatı azaltarak büyümeyi teşvik eder. Kısa vadede enflasyon Nijerya'nın ekonomisini artırırken uzun vadede zarar vermektedir.

Anahtar Kelimeler: Doğrudan Yabancı Yatırım, İhracat, İthalat, Enflasyon, Gayri Safi Yurt İçi Hâsıla

[1] This article is derived from the thesis entitled "The Effect of International Trade on Economic Growth in Nigeria"

[2] Deqa Ali Omar, Istanbul Ticaret University, deqa.omar@istanbulticaret.edu.tr
[3] Yunus Özcan, Assoc. Prof., Istanbul Ticaret University, yozcan@ticaret.edu.tr

1. INTRODUCTION

International trade is defined as follow; the exchange of goods, services, and capital across international borders or regions. This kind of international trade has a considerable influence on almost every country's GDP. Global commerce is more challenging than trading between nations. Several factors influence trade between two or more nations, including the governments' economic and currency policies, as well as each country's laws and legal system. The formation of international economic groups may improve the efficiency and legitimacy of international trade. The World Trade Organization is an excellent example of this kind. One of the primary purposes of this organization is to increase worldwide trade. A country's balance of payments current account details its imports and exports. One of the advantages of international commerce may be access to new markets and items. On the global market, you may buy anything from food to apparel to spare parts to oil to jewelry to wine to stocks to money. Tourism, banking, consulting, and transportation are among the many services available, (Adeleye et al 2015).

Globalization cannot continue until international trade expands. Without international trade, nations would be restricted to the commodities and services produced within their own boundaries. For most of the second half of the twentieth century, international trade has been the dominant driver of progress. Strong international trade has allowed nations to grow and have influence over global economic policy. International trade may assist reduce poverty in a variety of ways. It is vital to emphasize that no country on the earth can grow or even survive unless it trades goods and services with other countries. Furthermore, it is critical to recognize that a country's economic growth and development are essentially determined by how its imports and exports trade. Nigeria's economic growth is heavily reliant on trade with other nations (Agbo et al 2018). Nigeria has several problems as it grows, in addition to political, social, and economic issues.

The government earns money through international trade. Commerce's role to economic growth has expanded in recent years. The openness of economies and the ease with which resources may be moved across borders affect countries' growth rates (Yakubu, and Akanegbu, 2015). Nigeria's economy is heavily reliant on international commerce, which accounts for a significant portion of its output. Agriculture was an important sector for the economy and a significant source of export money in the 1960s. However, agricultural exports have almost ceased since oil became a substantial source of foreign currency revenue in Nigeria in 1974.

Nigeria's economy is mostly centered on subsistence agriculture, with limited reliance on sophisticated technology. As a result, rather than exporting, there has been an increase in imports. Export trade is a subset of international trade in which goods are sent from one country to another for sale. Exports help a country's economy, which in turn helps the country's GDP. However, since our economy relies so heavily on imports, we sometimes take the export sector for granted, (Agbo et al 2018).

Due to their failure to satisfy local demand, small-scale businesses in Nigeria are insufficient for export product manufacturing. Exports contribute to economic growth, boost international cooperation, improve the country's balance of payments, and raise foreign currency income. International trade has both beneficial and bad effects on the Nigerian economy, (Egoro, and Obah, 2017). Some as a consequence, unemployment is a serious problem in Nigeria, and the country's failure to generate long-term employment via international trade may be a result of insufficient policy and corruption.

2. LITERATURE REVIEW

1.1 Economic Growth

It is expected that the economy would continue to grow positively this year, despite the epidemic's waning effects and the installation of a new oil tax. Expanding economic activity is expected to benefit from the government's efforts to improve infrastructure. High inflation, security concerns, China's

slower-than-expected decline, and low vaccination rates are all factors that might have an impact on the prediction. The panelists of Focus Economics expect GDP growth of 2.8 percent in 2022 and 2.9 percent in 2023, which is an increase of 0.2 percentage points over the previous month's projections. Economic development would be boosted by more capital accumulation and technological innovation, according to (Smith 1776), who predicted that expanding markets would lead to more labor division and productivity. David Ricardo (1817), overseas markets may aid a nation's ability to focus its resources on goods or services with lower opportunity costs and better comparative advantage. Increasing prices and land constraints will eventually lead to lower profit margins, although they may assist delay that fall in profit margins, (Agbo, et al 2018).

The economy as a whole suffered a hit. In 2016, growth is predicted to be mediocre at best. The Nigerian government may be able to save money when crude oil and associated refined goods prices fall, as subsidies on PMS and other refined products may be diverted to more productive areas of the economy. The administration has gone a step further by eliminating kerosene product subsidies. There are now no subsidies on PMS, which should help government coffers in the future. The economy is predicted to increase by 3.78 percent in 2016, with output in the oil and non-oil sectors expected to slightly outperform 2015. In the short term, the Central Bank of Nigeria and the Federal and State governments are anticipated to help the non-oil industry through programs. The CBN's N300 billion-naira export stimulus fund is one of these measures. Increased efforts by state governments to increase internally produced revenue, along with more judicious and focused infrastructure spending, are anticipated to result in improved output performance, (Bloomberg Business, 2015).

2.2 International Trade and Economic Growth

Numerous studies explored the interconnection between international trade and growth. According to Chinoda (2020) used a panel of 30 African countries was utilized to determine if a long-term equilibrium relationship exists over the period 2004–2017 using granger causality tests and co-integration approaches. Economic growth and financial inclusion, as well as economic growth and African trade, have a one-way causal relationship, according to the research. The confluence of trade growth benefits from improved financial inclusion in the financial system. therefore, the study alluded that policymakers should focus on growth-friendly policies to boost sustainable development and trade.

External/international trade, often refers to international business, is a phrase used to characterize all exchange of goods and services that take place between two or more countries, according to Emehelu (2021). Typically, private businesses participate in such transactions for profit; governments engage in such deals in order to have some gain and partly for political reasons. It includes all business endeavors that include the exchange of commodities, services, or resources across national borders between two or more countries. International trade, often known as foreign or external trade, is described by (Adeleye, et al 2015) as business operations that take place between two or more countries. International trade takes place when goods and services are exchanged between two countries, (Adeleye et al 2015).

Shihab et al (2014) showed the existence of a causal relationship between export and productivity progress. Moreover, the causal link among export and economy was checked by Granger causality and the findings show that uniform causalities exist between productivity growth and export in Jordan and the path of causality extends exclusively from economic growth to exports. In conclusion, this study supported Jordan's growth-driven exports. This means that efforts should be aimed at policies that improve economic growth, such as the industrialization and import substitution, in order to have a greater effect on exports.

Gokmenoglu, et al (2015) investigated foreign trade, financial progress and direction of causality between variable. Both factors are found to be non-stationary and the study supports long-term relationships between foreign and GDP. The results indicate that financial development and international trade drive Pakistan's productivity development, with the goal of identifying key factors affecting economic growth through trade and making policy suggestions. The OLS was to check the significant relationship between GDP as dependent variable and government 9 spending, FDI, exchange

rate and interest rate. The result shows that interest rate, government spending, export and import are all positive.

Yennu (2018) examined Ghana's international trade and economic growth comprehensively. The study outlined some of the core advantages of foreign trade for Ghana, including accelerated GDP growth, improved product quality, decreased poverty, and support for good governance. The paper also discussed some of Ghana's internal and external trade barriers, including capacity issues, infrastructure issues related to land acquisition and trade, inadequate regulatory procedures and tariffs on agricultural products, Western countries' resistance to eliminating subsidies, administrative issues, and foreign exchange issues.

Tah, et al (2021) explores international trade effects on South African economy. Cointegration testing and an error-correction model are used in the study. International commerce is a substantial growth stimulant in both the short- and long-term, according to empirical research. Physical and human capital are significant long-term growth drivers, according to evidence. As a result, South Africa should adopt policies that promote global commerce to increase both short-term and long-term growth. For a very long time, policies aimed at enhancing South Africa's physical infrastructure and educational system will be pursued.

2.3 Foreign Investment

A resident of one economy, known as the direct investor, makes a cross-border investment known as foreign direct investment with the aim of gaining a long-term interest in a company with headquarters elsewhere, known as the direct investment enterprise. To be effective, direct investment must be sustained over a long period of time and the direct investor's influence on the firm's management must be significant, (Michałowski, 2012).

It is widely accepted that both neoclassical growth theory and exogenously growth theory can explain the role of FDI in economic growth. The neoclassical theory assumes that short-term economic growth may be accomplished with the aid of labor, capital and technology. Economic growth may be accomplished in the near term with the right mix or modification of the three-factor inputs. Under the neoclassical concept, long-term economic growth may be fostered by variables such as technical advancement and an increase in the work force. The neoclassical conceptual framework, according to (Brinkman 1995), states that technical improvement, capital accumulation, and appropriate application all contribute to economic growth. The law of diminishing returns says that capital helps the economy grow faster in the short term, but this effect doesn't last over longer periods of time. Since capital amassing and utilization drives financial advancement within the short-term, it has no long-term affect on economic development, especially within the long run, as more capital is acquired. Financial development is boosted by FDI within the brief term, but it has negligible affect within the long run, agreeing to (Solow 1957). This term infers FDI incorporates a short-term impact on the economy.

When it comes to emerging countries, FDI is crucial. The FDI-growth link has been extensively studied by researchers over the last several decades. It has been verified by (Tahir et al, 2019) that foreign direct investment (FDI) has a favorable impact on economic growth. Inflows of foreign direct investment (FDI) are a key driver of economic development since they allow for the transfer of technology and the improvement of labor force capabilities.

According to Asiedu, (2001), foreign direct investment (FDI) has recently become more significant to the Sub-Saharan African region. The increasing popularity of foreign direct investment (FDI) may be linked to a variety of advantages that have been studied and proven effective for quite some time (Obwona, 2004). Several African governments are actively attempting to improve their business environments in the hopes of luring in more direct international investment.

African governments' attempts to attract foreign direct investment (FDI) seem to have been ineffective. All of this is taking place despite the fact that FDI is clearly needed on the continent. Unsettling trends are emerging, giving these nations little reason to be optimistic about their own economic futures. Natural resources have been linked to the disparity in FDI inflows into sub-Saharan African nations, while the size of local markets may also be an important factor (Asiedu, 2001).

Changes in technology transfer, human capital development, and economic openness, among other variables, have helped to reshape the country's image, according to (De Brabandere et al 2021). Increased attempts to attract more foreign direct investment (FDI) are justified because of the assumption that FDI has various good consequences. Foreign direct investment (FDI) may be advantageous in the short term, but it will not be sustainable in the long run. According to (Durham 2004), the "absorptive capacity" of host nations is the most important aspect in determining whether foreign direct investment (FDI) has a beneficial impact on economic growth. (Phillips et al, 2001) reached the following conclusions: Macroeconomic and political stability are significant drivers of foreign direct investment, and they are crucial components of foreign direct investment. Foreign direct investment has a favorable but small impact on economic development.

Nigeria, like many other developing countries, has set itself the goal of increasing its GDP by determining the most efficient and effective methods of increasing production. Because of this, discussing Nigeria economic growth has proven to be challenging. The moderate year-round temperatures of Nigeria, along with the country's abundant natural resources and fertile land, make it an excellent location for agricultural endeavors. The imbalanced nature of the global trade environment, which favors countries that have already achieved a certain level of industrialization, puts Nigeria at a disadvantage because it is almost exclusively dependent on the export of basic products, which have lower price. This puts Nigeria on the wrong end of an unbalanced trading climate, (Idris, and Suleiman, 2019).

Many African governments continue to limit foreign investment in specific industries, such as mining and agriculture. However, because parastatal monopolies and liberalization are sometimes related, the two have often occurred together. Only Tanzania has permitted international banks to operate lawfully since the early 1990s. It is still illegal for foreigners to do business in Ghana's commercial and service industries, even though economic liberalization began in the country two decades ago, (Aburime, 2009).

2.4 Exports and Imports

Exports and imports may have a significant impact in economic growth, according to certain theoretical models. The majority of theoretical and empirical research focuses on the interplay between export and growth, import and growth, or the interrelationship between export and import and economic growth, respectively. In terms of the fact that exports require businesses to continuously pursue new avenues of innovation and development in order to protect their market dominance, they are also seen as a driving force behind economic and social advancement. The decision to export will result in an increase in both sales and profits. The second possibility is that they will limit their dependency of domestic markets by extending into foreign markets. In this scenario, the customer base will grow, but the number of local customers would decrease to some degree. To put it another way, exports may lessen the impact of market volatility, which is important for businesses to consider as they grow more reliant on changing economic conditions, the preferences of their customers, and the cyclical ups and downs of the local economy. Last but not least, the advantages of exporting may be summed up as follows: An increase in exports results in a greater availability of foreign money, which in turn results in an increase in the state's national revenue, turnover, and surpluses. (Bakari et al 2017).

Because of this, the quality of living in the country has improved. Despite these advantages for exports, there are occasions when they don't provide these outcomes and don't contribute to the country's economic progress. There are a variety of causes for this, such as increased competition, items that are unpopular or popular in other nations' marketplaces, war or civil turmoil in the target country, inadequate media coverage and description of the exported product, or other factors of a similar kind. Often, when a country relies heavily on imports, it shows that it cannot meet its own needs and is thus vulnerable to the whims of other countries. In contrast to exports, which result in a better trade balance and the return of the country's native currency, imports have the opposite effect. But in other cases and under some conditions, it is seen as the main driver of economic development. Hardware and electrical equipment that contributes to the investment's growth, or items that demand a higher manufacturing value than what is imported are two examples of situations where this may be the case. Since export and import may have a significant influence on social and economic development, the question remains a sensitive one because of these reasons, (Bakari et al 2017).

Nigeria is also categorized as an import dependent country, which imports a lot of items, most of which is claimed does not contribute to its GDP; some of this items are finished goods such as cloths and fruits juice. There are also claims of damages to domestic industries, which result from importation of inferior like domestic products which have low price leading to the neglect of local products thereby reducing the output level of such industries contribution to GDP. The expansion of a nation's access to a wider market for its goods as a result of increased international trade flows is a benefit to the nation's manufacturing sector and, by extension, the economy as a whole. This is what is meant by exports. It is often believed that smaller domestic markets will not continue to develop forever, and that any positive economic shock that results in the expansion of the domestic market would most likely disappear more quickly than it would in bigger markets. Because of this, economies of scale may be used in large worldwide markets that do not have any constraints on their potential for expansion (Bbaale and Mutenyo, 2011).

3. THE RELATIONSHIP BETWEEN INFLATION AND ECONOMIC GROWTH

Many distinct schools of thought have been formed throughout the years on the relationship between inflation and economic growth. The structuralist position is one of the most prominent advocates of the positive link between inflation and economic growth. According to this school of thought, a moderate degree of inflation is necessary for efficient economic mobilization. This hypothesis contends that when real wages are falling behind inflation-driven price increases tend to reduce real wages while increasing profits. A situation like this would result in revenue being transferred from economic units with a lower propensity to save to those with a higher willingness to do so. For effective economic mobilization, this school of thinking recommends a modest level of inflation. According to this theory, a rise in prices due to inflation lowers real wages and tends to raise profits when wages are lagging behind. In such a scenario, income is shifted from economic units that have a lower inclination to save to those with a higher propensity to do so. Citizens are required to save, so governments can raise money for development (Doguwa, 2013; Enejoh and Tsauni, 2017; Mankiw, 2010). One of the advantages of inflation to growth is that it encourages structural moves by workers from the old subsistence sector to a more rapidly industrializing one, allowing for a more efficient and thorough application of economic resources (Dewett and Navalur, 2010).

Despite the claim that some inflation is good for the economy, most studies show that inflation is bad for business (Kasidi and Mwakanemela, 2015; Manoel, 2010; Mkhatshwa, et al 2015). They contend that inflation should be kept to no more than a single digit percent as a result. Inflation, according to monetarists and keynesians, has serious contagious effects because it deters domestic production, fosters a situation where foreign goods can compete with those sold domestically, encourages a deficit balance in international payment transactions, casts doubt on the profitability of upcoming investment projects, randomly redistributes income, and lowers the purchasing power of money (Al-Taeshi, 2016; Chude and Chude, 2015; Eggoh and Muhammad, 2014; Olu and Idih, 2015).

The interest rate was included as an additional variable in addition to the primary interest variable (inflation rate). A high interest rate diminishes economic production and limits investors' ability to borrow, which in turn has a negative impact on the economy as a whole. Liquid cash's buying power decreases when interest rates rise, and investors avoid making investment choices. In addition, the currency rate was added since it has a direct impact on the country's inflation rate. There are several ways to stimulate domestic output and private sector investment via currency depreciation or devaluation, which in turn may lead to more exports and a better overall balance of payments (Idris and Suleiman, 2019). It was also necessary to provide information on the present state of the money supply, since this is based on the belief that an increase in money supply leads to an increase in inflation (Rousseau and Wachtel, 2002; Shuaib, et al 2015).

4. RELATED EMPIRICAL STUDY

Shuaib et al. (2015) employ Granger causality tests and co-integration tests to examine the influence of Nigeria's inflation rate on its economy between 1960 and 2012. Both the model's findings and the causality test indicate that the variables have no long-term association. Inflation's impact on Nigeria's economic development is examined by Anidiobu et al. (2018), who use descriptive and ordinary least squares to analyze data from 1986–2015. According to the findings, the inflation rate has a negligible

positive correlation with growth in the Nigerian economy, however the exchange rate has a large positive correlation.

In a related study, Idris and Suleiman (2019) examine the effect of inflation on Nigeria's economic progress from 1980 to 2017. The variables investigated in the study—the gross domestic product, the inflation rate, the interest rate, and the country's currency rate—are corrected for using a vector error correction technique. The inflation and interest rates have a significant and unfavorable impact on Nigeria's economic growth because of a long-term relationship between the two.

According to Chude and Chude (2015), they use time-series data from 2000 to 2009 to assess the impact of inflation on Nigeria's economic development. The results show that inflation, the exchange rate, and economic growth all have a positive and substantial correlation.

According to Borensztein et al (1998), the function of foreign direct investment is to facilitate the transfer of technological know-how and to promote economic progress. Inflows of foreign direct investment (FDI) have been proved to boost economic development, as shown by Ullah et al (2014). According to Alfaro et al. (2004), FDI profits are tied to the growth of financial markets. There are several reasons why foreign direct investment (FDI) isn't solely responsible for economic development.

Tetteh (2015) examined the impact of exports on Ghana's economic growth using annual data from 1980 to 2013. Cointegration and vector error correction estimates are among the time series econometric methodologies being used to examine the long- and shortterm relationships between exports and GDP. It was found that in Ghana, the Johansen cointegration test demonstrated long-term connections between real GDP, exports, gross capital creation, and labor in the country. The Granger causality test showed that exports and GDP growth are linked in both directions. Both short-term and long-term growth in real GDP may be predicted by exports and capital investment, according to the research. Although labor had a negative effect on GDP over the long term, in the preceding year it had a positive effect on real GDP growth.

FDI has been studied in Kenya and Uganda using the least square dummy variable (LSDV) approach to examine the effects on economic growth. the study utilized annual data from 1970 through 1996 to estimate growth variables and foreign direct investment (FDI). Although FDI has a major influence on economic development, it is not a universal approach to enhancing overall economic growth, according to the researchers (Phillips, et al.2001).

Andrews (2015) conducted research on the correlation between imports, exports, and GDP in Liberia. It was shown that a single-directional causal relationship exists between exports and GDP, as well as between exports and imports; nevertheless, it was demonstrated that imports and GDP are interlinked. The GDP of Liberia is not entirely dependent on the country's exports. Instead, it is powered by a combination of imports and exports, with the former having a more enduring effect.

Jordaan and Eita (2007) studied the link between Namibia's exports and economic growth between 1970 and 2005. It was decided that the best way to estimate GDP was to use Granger causality, ECM, and Johansen Maximum Likelihood. Compared to imported goods, exports had a bigger effect on the country's GDP and GDP per capita. Imports and exports were shown to have a bi-directional causal connection with GDP, as well.

Ugochukwu and Chinyere (2013) examined the export-led development model in Nigeria using data from 1986 to 2011. It was determined that exports had a significant impact on growth, and in what direction, using economic methods like Granger causality and Ordinary Least Squares (OLS). The study found that oil exports had a significant and positive impact on Nigeria's economy over the time period studied. Additionally, non-oil exports had a considerable influence on GDP, according to a study. GDP and oil exports have a one-way connection, as shown by the Granger causality test.

5. METHODOLOGY OF THE STUDY

This research was based on an examination of the effect of international trade on economic growth of Nigeria. In this study, FDI, the volume of products imported and exported and as well as inflation are

all considered independent variables whereas GDP is dependent variable of the study. The World Bank Data indicator site was extract secondary data, which is presented as yearly time series spanning the years 1981 through 2019. For this research, Nigeria was selected as a case study, and the primary goal is to understand how these factors affect a nation's economic growth rate.

Regression analysis was used as the model in this study. Regression analysis is a complicated statistical method that lets researchers look into the relationship between a number of different factors. There are several ways to estimate the coefficients of linear regression equations, which are used to show the relationship between independent quantitative variables and a dependent variable. The autoregressive distribute lag (ARDL) regression is one of the most common ways to estimate a linear regression model with parameters that are not known. This method tries to minimize the sum of squared vertical distances between the responses in the observed dataset and those predicted by the linear approximation.

An alternate approach was used in this research to conduct the linear combination of variables (FDI, export, import, and inflation) and GDP in the model. Both the single-equation and Johansen maximum likelihood techniques are clearly outperformed by the Stock-Watson strategy. This technique improves on the single equation method and the Johansen maximum likelihood procedure by accounting for repressor endogeneity and serial correlation, which are major flaws in the single equation method and the Johansen maximum likelihood procedure. Furthermore, the Stock-Watson technique, like the Johansen process, exhibits asymptotic optimality as a function of time. Here is the equation of linear regression:

$$\mathrm{GDP} = \beta 0 + \beta 1\mathrm{FDI} - \beta 2\mathrm{EXP} + \beta 3\mathrm{IMP} + \beta 4\mathrm{INF} + \mathrm{e}$$

where

GDP= Gross domestic production

FDI= Foreign direct investment

EXP = Export

IMP = Import

INF=Inflation

e= Error term.

Test for stationarity prior to estimating regression to determine which data series are stationary and which are not. Therefore, the researcher used Augmented Dick Fuller to determine if any variables in this study are constant. In order to determine which series are stationary and which are not, the decision rule is based on the fact that if the ADF t-statistic is more than the critical value of the research, then the null hypothesis that the series is non-stationary in H0 is rejected. The alternative hypothesis that there is stationary in the series is tested and the t-statistics are lower the p-value, then the alternative hypothesis is accepted.

To predict both short- and long-term effects, the ARDL test employs a regression equation. This research employed cointegration to see whether long-term coherence aspects were present. Pesaran et al. (2001) presented an ARDL cointegration testing methodology based on the underlying break. In addition to immediate and long-term effects, the stated outcome takes into consideration the relationship between these elements as well. For long-term relationships, Pesaran et al. (2001) recommended utilizing the ARDL technique for cointegration, whether the hidden components are I(0), I(1), or a mix of both. To differentiate evidence of the cointegrating vector in such cases, ARDL is a method that may give valuable and reliable evaluations. A long-term relationship may be defined as the sum of all of the key components. As an ECM-like design and a single model condition, ARDL lends itself to re-parameterization. Unbounded leg motions are combined with the regressor in the backslide model.

Table 1. ARDL Short Run Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOGFDI(-1)	0.087208	0.130195	0.669831	0.5103
LOGFDI(-2)	0.454349	0.155694	2.918221	0.0082
LOGEXP	0.150981	0.400314	0.377156	0.7098
LOGIMP	0.669280	0.521075	1.284423	0.2130
LOGINF	-0.101015	0.160407	-0.629742	0.5357
LOGINF(-1)	0.264147	0.205636	1.284536	0.2129
LOGINF(-2)	-0.090731	0.222694	-0.407423	0.6878
LOGINF(-3)	-0.352753	0.206890	-1.705029	0.1029
LOGINF(-4)	0.312309	0.132005	2.365894	0.0277
LOGGDP	-3.620217	2.514155	-1.439934	0.1646
LOGGDP(-1)	4.409897	3.651552	1.207678	0.2406
LOGGDP(-2)	4.402304	3.806032	1.156665	0.2604
LOGGDP(-3)	-6.557481	2.317915	-2.829043	0.0101
C	25.76236	10.26303	2.510211	0.0203

The Table 1 shows the calculation of ARDL in short run model and the result indicate that FDI and inflation have positive effect on economic growth of Nigeria in short run and this result was found statistically significant, so that mean we have evidence to reject the null hypothesis. The result also reveals that the previous years of GDP have negative effect on economic growth of Nigeria, so the H0 is rejected. The table above also indicate that the exports and imports have positive effect on economic growth of Nigeria, but the result was found statistically insignificant because p-value is greater the level significant and we cannot have rejected the H0, so we conclude that exports and imports have no effect on economic growth of Nigeria in short run.

The Table 2 represents the analysis of ARDL long-run model between the variables of the study and the result indicate that in the long run FDI has negative effect on economic growth of Nigeria and this result was statistically significant because the p-value of 0.011 and 0.0082 which are less than 0.05 of level of significant, so we can reject the H0 of the study. The result also reveals that in long run the inflation has negative on economic growth of Nigeria and the result was found by statistically support which means the probability value of 0.0277 is less than 0.05 of significant level, so that means the H0 can be rejected. The result of the table above also indicates in long run that there is a positive effect between the previous years of GDP and economic growth of Nigeria and this result was found statistically significant and we can the null hypothesis of the study. The table also provides the result that claims in long run the exports and imports have no effect on economic growth of Nigeria and we fail to reject the null hypothesis.

Table 2. ARDL Long-Run Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.76236	10.26303	2.510211	0.0203
LOGFDI(-1)*	-0.458443	0.164601	-2.785179	0.0111
LOGEXP**	0.150981	0.400314	0.377156	0.7098
LOGIMP**	0.669280	0.521075	1.284423	0.2130
LOGINF(-1)	0.031957	0.260786	0.122540	0.9036

LOGGDP(-1)	-1.365497	0.571677	-2.388582	0.0264
D(LOGFDI(-1))	-0.454349	0.155694	-2.918221	0.0082
D(LOGINF)	-0.101015	0.160407	-0.629742	0.5357
D(LOGINF(-1))	0.131175	0.205748	0.637551	0.5307
D(LOGINF(-2))	0.040444	0.172448	0.234531	0.8168
D(LOGINF(-3))	-0.312309	0.132005	-2.365894	0.0277
D(LOGGDP)	-3.620217	2.514155	-1.439934	0.1646
D(LOGGDP(-1))	2.155177	2.304580	0.935172	0.3603
D(LOGGDP(-2))	6.557481	2.317915	2.829043	0.0101

The study was also tested for serial correlation using the Breusch-Godfrey Serial Correlation (LM) test, heteroscedasticity using the ARCH test and Ramsey test. The diagnostic test results statistically support the econometric outcomes.

5. CONCLUSION

The result indicates that in the short run FDI has positive effect on Nigeria economic growth, but in long run FDI has negative effect on economic growth of Nigeria. So the result clearly indicates that FDI in Nigeria is beneficiary in short run, this can make improvement of technology which has helped increase low capital intensive startups and the result can cause increasing employment opportunities and this enhances a country's finance and technology sectors. To reach low-middle-income status, attract FDI, and broaden its international market, Nigeria has developed a variety of open economic policies. The increase of the export market leads to a rise in output, which in turn supports economic growth. This finding is in line with those of other researchers, such as (Bouchoucha, and Ali, 2019). Nigeria has benefited greatly from FDI by developing a number of high-tech industries, such as machine manufacture and energy, and by importing high-value added items such as computers and cellphones (Borensztein et al. 1998; and Agrawal 2015). Local productivity is rising in sectors where foreign enterprises are present, as can be seen more clearly in the data, (Lean and Tan 2011; Insah 2013; Iqbal and Abbas 2015).

The exports and imports have positive effect on economic growth of Nigeria in both short run and long run, but the result was found statistically insignificant because p-value is greater the level significant and we cannot have rejected the H0, so we conclude that exports and imports have no effect on economic growth of Nigeria. A lack of funds, modern technology, limited managerial skills, and an inexperienced staff are some of the challenges that a poor country such as Nigeria has while attempting to export its products and services. There is other scholar who similar results such (Bakari, and Mabrouki 2017). However, export promotion has no discernible effect on economic growth in either low- or high-income countries (Subasat, 2002). According to Helleiner (1986), there is no connection between export performance and overall economic performance in his studies of African and other "poor" nations.

The study found that the in short run inflation has positive effect on Nigeria economic growth, in the long run the inflation has negative effect. This means that in the short run, inflation increases profits because producers can sell their goods at higher prices, investors and entrepreneurs are incentivized to invest in productive activities, and there is an increase in production, employment, and income, and shareholders can earn a good income as a result of companies' increased profits and tendency to distribute dividends. Long-term, inflation has a detrimental effect on the Nigerian economy. Fixed-income groups, such as employees, pensioners, and others, can be negatively affected. In addition, it produces an increase in income inequality, disturbs the planning process, stimulates speculative investment, hinders capital accumulation, and leads lenders to incur losses, all of which have a negative impact on exports revenue. In accordance with the findings of the research (Adaramola, and Dada, 2020; and Idris and Suleiman 2019). In the long term, this suggests that inflation is bad for the economy. To

put it another way, inflation diminishes the value of money, which discourages investment, which in turn limits the economic development that may have come from it (Al-Taeshi 2016; and Denbel et al. 2016).

Exports and imports are essential to the growth and development of national economies since not every country has the resources and knowledge required to produce certain goods and services. To protect their own industries, governments use tariffs and import restrictions to exclude foreign competitors. Imports are essential for both businesses and consumers. For instance, Nigeria depends significantly on imports of goods that are either unavailable locally or less expensive abroad. In addition to locally produced things built using imported components, extra imported items benefit individual consumers. Imported items often provide purchasers a better value or a greater variety, both of which contribute to an improvement in quality of life. If nations desire to become net exporters, they must cease to be net importers. Imports supply us with necessary resources and things that we would not otherwise have access to or that are more affordable.

A nation that exports more generates a greater amount of economic activity at home. Production, employment, and money will increase as a result of greater exports. Gross domestic product (GDP) is the total worth of completed goods and services produced in a particular period of time when a nation is a net exporter. In other words, a country's wealth is increased through net export, and Nigeria should consider to reform the policy of exports and imports, in order to reach optimal level of standard living and well economic growth of whole country.

The practical implications of this study can be listed as the following statements, the study also included comparisons of many aspects of economic growth to a variety of other factors. At the macro level, there is a robust causal link between the many aspects of economic development. A number of policy considerations may be derived from the findings presented in this report, including the following.

When it comes to attracting FDI, Nigeria has to focus on high-tech initiatives that leverage low-cost labor and natural resources, such as tax and agricultural benefits, so that it can compete with the government in all sectors. As a result of FDI, infrastructure development and administrative process reform, as well as a contemporary health care system, it is imperative that we act quickly to eliminate informal fees, offer high-quality human resources, and implement modern healthcare systems.

Second, Nigeria is always looking for creative solutions to mobilize all sources of local and international capital, including the government's budget as well as private capital as well as foreign investment capital, in order to achieve the goals of its socio-economic development plan at any given time. Foreign assistance will give way to partnerships as Nigeria moves from being a low- to low-middle-income developing country in terms of its interaction with donors. Foreign donors are pushing for a gradual transition in Nigeria development cooperation policy to enable official development money to be invested in less favorable conditions, such as inexpensive loans. Aid in the implementation of strategies for sustained development and support. In light of its current financial situation, Nigeria should consider where it wants to invest its loan funds. ODA advances and unknown guide credits, for example, transport foundation projects, chores like clever urban communities, clean energy, shrewd rural turn of events, or overflow effects, are available for initiatives that directly advance reasonable improvement associated monetary development. Should have a following. Change, improvement of ecological principles, enhancement of education, well-being, inventiveness, and talents; these are all examples of transformation. However, the selection of initiatives should be in general harmony between medium-term public speculation and medium-term public duty, with a focus on repayment terms to ensure the credibility and accountability of new donors, as well.

Third, Nigeria promotes the product of labor and goods derived from a positive causal link between imports and economic growth: the strict implementation of reciprocal and multilateral concurrences with various countries and worldwide. " Organizations of monetary value, in order to cope with the commodities markets there and to expand new market opportunities. Assists in the development of devices, innovation and assembly cycles to meet commodities market rules and standards by providing detailed plans Commodity goods are being rebuilt in an effort to increase the number of valuable things. Creating a favorable environment for businesses to take advantage of product openings by enhancing

business sector data. Promoting the improvement of the administrations of the framework and cooperation. Implementation of executive practices and import and commodity exercise plans, support for detaching administrative procedures, exhortation to companies managing import and product exercise and data and lawful assistance.

The decentralized government system established by Nigeria present constitution, which was drafted in the preceding three years, was drafted during that time period. Future research should thus focus on the assessment of particular regional and national instances in order to give precise policy proposals and to use more robust econometric models. Thus, FDI's effect on the economy may be enhanced. However, the vast bulk of FDI money in agriculture is routed via the establishment of foreign affiliates in Nigeria. Small-scale agro-industry must be studied to reduce the danger of foreign direct investment and poverty.

A pre-construction research should be carried out before the mining industry's recent blossoming, in which foreign-affiliated enterprises are needed to investigate Nigeria natural resources with the best knowledge and resources. It's imperative that this task be carried out. This will have a detrimental impact on the local economy. In this research, macroeconomic indicators are utilized to study the impact of FDI on Nigeria economic development. There should be a look at how investors feel about the impact of different business aspects on their enterprises and information on the other side of that coin. FDI is regarded from the perspective of a multinational company.

REFERENCES

ABURIME, U. T. (2009). Why African economies should open up to foreign banks. AfricaGrowth Agenda, 2009(10), 20-21.

ADARAMOLA, O. A., & DADA, O. (2020). Impact of inflation on economic growth: Evidence from Nigeria. Investment Management and Financial Innovations, 17(2), 1–13.

ADELEYE, J. O., ADETEYE, O. S., & ADEWUYI, M. O. (2015). Impact of international trade on economic growth in Nigeria (1988-2012). International Journal of Financial Research, 6(3), 163-172.

AGBO, E. I., AGU, A. E., & EZE, L. O. (2018). Impact of international trade on the economic growth of Nigeria. European Journal of Business and Management, 10(18), 22-30.

AGRAWAL, G., (2015). Foreign Direct Investment and Economic Growth in BRICS Economies: A Panel Data Analysis, Journal of Economics Business and Mangement, vol.3(4).

ALFARO, L., CHANDA, A., KALEMLI-OZCAN, S., & SAYEK, S. (2004). FDI and economic growth: the role of local financial markets. Journal of international economics, 64(1), 89-112.

AL-TAESHI, H. T. A. (2016). The impact of inflation on economic growth: evidence of Malaysia from the period 1970-2014 (Published Master Thesis Submitted to Near East University Graduate School of Social Sciences Economics Master's Programme). Retrieved from http://docs.neu.edu.tr/li-brary/6429447589.pdf

ANDREWS, A. P. (2015). "Exports, Imports, and Economic Growth in Liberia: Evidence from Causality and Cointegration Analysis". Journal of Management Policy and Practice. 16(3),

ANIDIOBU, G. A., OKOLIE, P. I. P., & OLEKA, D. C. (2018). Analysis of inflation and its effect on economic growth in Nigeria. Journal of Economics and Finance, 9(1), 28-36. Retrieved from https://pdfs.seman- ticscholar.org/c3ff/4456345e5a0a17 efb5c3da40e0aadc8bf38e.pdf

ASIEDU, E. (2001). "On the determinants of foreign direct investment to developing countries: Is Africa different?" World Development, 30(1): 107–19.

BAKARI, S., & MABROUKI, M. (2017). Impact of Exports and Imports on Economic Growth: New Evidence From Panama. Journal of Smart Economic Growth, 2(1), 67–79

BBAALE, E., & MUTENYO, J. (2011). Export composition and economic growth in Sub-Saharan Africa: A panel analysis. Consilience, (6), 1-19

BLOOMBERG BUSINESS, (2015). Oil's Slump Gives Nigeria Chance to End $7-Billion Subsidy, (December 23, 2014). 34 Oil & Gas Journal, Worldwide Look at Reserves and Production, (April 1, 2022).

BORENSZTEIN E., DE GREGORIO J., LEE J.W., (1998). How Does Foreign Direct Investment Affect Growth? », Journal of International Economic, vol. (45), pp.115-135.

BOUCHOUCHA, N., & ALI, W. (2019). The Impact of FDI on Economic Growth: Evidence from Tunisia. Journal of Smart Economic Growth, 4(3), 23–46.

BRINKMAN, R. (1995). Economic growth versus economic development: Toward a conceptual clarification. Journal of Economic Issues, 29(4), 1171-1188.

CHINODA, T. (2020). The nexus between financial inclusion, trade and economic growth in Africa?. Transnational Corporations Review, 12(3), 266-275.

CHUDE, D. I., & CHUDE, N. P. (2015). Impact of inflation on economic growth in Nigeria. International Journal of Business and Management Review, 3(5), 26-34

DE BRABANDERE, E., GAZZINI, T., & KENT, A. (EDS.). (2021). Public Participation and Foreign Investment Law: From the Creation of Rights and Obligations to the Settlement of Disputes. Brill.

DENBEL, F. S., AYEN, Y. W., & REGASA, T. A. (2016). The relationship between inflation, money supply and economic growth in Ethiopia: Co- integration and causality analysis. International Journal of Scientific and Research Publications, 6(1), 556-565.

DEWETT, K. K., & NAVALUR, M. H. (2010). Modern economic theory. Shyam lal charitable trust. Ram Nagar, New Delhi-110 055.

DOGUWA, S. I. (2013). Inflation and economic growth in Nigeria: Detecting the threshold level. CBN Journal of Applied Statistics, 3(2), 99-124. Retrieved from https:// www.cbn.gov.ng/out/2013/sd/ cbn%20jas%20volume%203%20 number%202_article%206.pd

DURHAM, J.B. (2004). "Absorptive capacity and the effects of foreign direct investment and equity foreign portfolio investment on economic growth". European Economic Review, 48(2): 285–306

EGGOH, J. C., & MUHAMMAD, K. (2014). On the nonlinear relationship between inflation and economic growth. Research in Economics, 68(2), 133-143. http:// doi.org/10.1016/j.rie.2014.01.001

EGORO, S., & OBAH, O. D. (2017). The impact of international trade on economic growth in Nigeria: An econometric analysis. Asian Finance & Banking Review, 1(1), 28-47.African Journal of Business Management, 3(5), 178-183.

EMEHELU, C. I. (2021). Effects of international trade on economic growth of Nigeria. International Journal of Innovative Finance and Economics Research, 9(1), 144-157.

ENEJOH, S. Y., & TSAUNI, A. M. (2017). An analytical study of the impact of inflation on economic growth in Nigeria (1970–2016). International Journal of Academic Research in Accounting, Finance and Management Sciences, 7(4), 110-120. http://doi.org/10.6007/ IJARAFMS/v7-i4/3438

GOKMENOGLU, K. K., AMIN, M. Y., & TASPINAR, N. (2015). The Relationship among International Trade, Financial Development and Economic Growth: The Case of Pakistan. Procedia Economics and Finance, 25(May), 489–496

HELLEINER, G. K. (1986) 'Outward Orientation, Import Instability and African Economic Growth: an Empirical Investigation', in S. Lall and F. Stewart (eds), Theory and Reality in Development. London: Macmillan

IDRIS, T. S., & SULEIMAN, S. (2019). Effect of inflation on economic growth in Nigeria: 1980–2017. MAJASS, 18, 33-48

INSAH, B. (2013). Foreign Direct Investment Inflows and Economic Growth in Ghana, International Journal of Economic Practices and Theories, vol.3 (2), pp.115-121.

IQBAL,Z., ET ABBAS,K.(2015) . An econometric Analysis of Foreign Direct Investment and Economic Growth of Pakistan, Developing country studies, 5(11), pp .16-25

JORDAAN, A. C., AND EITA, J. H. (2007), Export and Economic Growth in Namibia: A Granger Causality Analysis, South African Journal of Economics, Vol. 75 :3.

KASIDI, F., & MWAKANEMELA, K. (2015). Impact of inflation on economic growth: A case study of Tanzania. Asian Journal of Empirical Research, 3(4), 363-380. Retrieved from http://www.aess-web.com/pdf-files/363-380.pdf

LEAN, H., ET TAN, W., (2011). Linkages Between Foreign Direct Investment, Domestic Investment and Economic Growth in Malaysia », Journal of Economic Cooperation and Development, vol.2(4), pp.75-96.

MANKIW, N. G. (2010). Macroeconomics (7th ed.). Worth Publishers 41 Madison Avenue New York, NY. Retrieved from www.worthpublish- ers.com http://irfanlal.yola- site.com/resources/N.%20 Gregory%20Mankiw%20 Macroeconomics%2C%207th%20 Edition%20%20%20%202009.pd

MANOEL, B. (2010). Inflation and economic growth in Latin America; some panel time series evidence (University of Pretoria Department of Economics working paper series). https:// doi.org/10.1016/j.econ-mod.2011.10.018

MICHAŁOWSKI, T. (2012). Foreign direct investment in Sub-Saharan Africa and its effects on economic growth of the region. Prace i Materiały Instytutu Handlu Zagranicznego Uniwersytetu Gdańskiego, (31/1), 687-701.

MKHATSHWA, Z. S., TIJANI, A. A., & MASUKU, M. B. (2015). Analysis of the relationship between inflation, economic growth and agricultural growth in Swaziland from 1980-2013. Journal of Economics and Sustainable Development, 6(18), 189-204. Retrieved from https://www.iiste.org/Journals/ index.php/JEDS/article/view- File/25840/26687

OBWONA, MARIOS B. (2004). "Foreign direct investment in Africa". In Financing Pro-Poor Growth: AERC Senior Policy Seminar VI, Kampala, Uganda, 2–4 March 2004 – Seminar Papers, pp.

OLU, J. F., & IDIH, E. O. (2015). Inflation and economic growth in Nigeria. Journal of Economics and International Business Management, 3(1), 20-30. Retrieved from http://science-webpublishing.net/jeibm/ar- chive/2015/3/pdf/Olu%20and%20 Odih.pdf

PHILLIPS, L.C., OBWONA, M., MCMILLAN, M., AND AYAKO, A.B. (2001). Foreign and Local Investment in East Africa, Interactions and Policy Implications: Case Studies on Mauritius, Uganda and Kenya, Eager Project Paper

RICARDO, D. (1817). On the Principles of Political Economy and Taxation: London.

ROUSSEAU, P. L., & WACHTEL, P. (2002). Inflation thresholds and the finance-growth nexus. Journal of International Money and Finance, 21, 777-793. https://doi.org/10.1016/S0261-5606(02)00022-0

SHIHAB, R. A., SOUFAN, T., & ABDUL-KHALIQ, S. (2014). The causal relationship between exports and economic growth in Jordan. International Journal of Business and Social Science, 5(3), 302-308.

SHUAIB, I. M., AUGUSTINE, O. E., & FRANK, A. O. (2015). Impact of inflation rate on the economic

SMITH, A. (1776). Of the division of labour. Classics of organization theory, 40, 45.

SOLOW, R. M. (1957). "Technical Change and the Aggregate Production Function." The Review of Economics and Statistics 39 (3): 312–320

SUBASAT, T. (2002). Growth ? Some Cross-Section Evidence. 20(3), 333–349.

TAH, K. A., CZERNIAK, C., LEVINE, A., WIGGIN, K., & OSONDU, I. N. (2021). Foreign trade and economic growth in South Africa. Asia-Pacific Journal of Accounting & Economics, 28(4), 472-481

TAHIR, M. ESTRADA, M.A.R. AND AFRIDI, M.A. (2019), "Foreign inflows and economic growth: an empirical study of the SAARC region", Economic Systems, 100702.

TETTEH, C. (2015). Exports and Economic Growth: The Case of Ghana. UGspace, 10442362. http://ugspace.ug.edu.gh/handle/123456789/8601

UGOCHUKWU, U. S., & CHINYERE, U. P. (2013). The impact of export trading on economic growth in Nigeria. International Journal of Economics, Business and Finance, 1(10), 327-341

ULLAH, I., SHAH, M. AND KHAN, F.U. (2014), "Domestic investment, foreign direct investment, and economic growth nexus: a case of Pakistan", Economics Research International , Vol. 2014.

YAKUBU, M. M., & AKANEGBU, B. N. (2015). The impact of international trade on economic growth in Nigeria: 1981–2012. Eur J Bus Econ Account, 3, 26-36.

YENNU, A. T. (2018). International Trade and Economic Growth in Ghana; Benefits, Constraints and Impacts. Sch J Appl Sci Res, 1(2), 18-22.