

FOREIGN DIRECT INVESTMENT AND EMPLOYMENT RATE IN NIGERIA

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Abstract

This study explored the impact of foreign direct investment on employment rate in Nigeria from 1989 to 2018. The motivation for this study is driven by the new attention being given to the drive for foreign direct investment especially in developing economies in an attempt to increase employment rate in Nigeria. The study employed Augmented Dickey-Fuller (ADF) and Ordinary least square (OLS) method techniques. The variables employed include foreign direct Investment, foreign aids; it was revealed that the p-value FDI gives an output of 0.0045 which is lesser than the alpha level of significant at 0.05. Exchange Rate and Trade openness. The result revealed that, there is significant relationship between foreign direct investment and employment level in Nigeria. Also, findings of this study found out that foreign aids and trade openness have no significant relationship with employment level in Nigeria. It is therefore, recommended that government should create a competitive environment so as to maximize the benefit of foreign direct investment because by exposing foreign investors to management and technology. FDI can assist a country like Nigeria to achieve the higher growth rate and brings about improvement in employment and reduces unemployment level in the country.

Keyword: Foreign Direct Investment, Foreign aids, Exchange Rate, Import Rate, Employment Level, Trade openness

1.0 INTRODUCTION

Foreign direct investment is one of the key components of an open and efficient international economic system, as opposed to strictly regulated economies. Foreign direct investment is a direct investment made by individual or company in another country into a production or business interest, either by directly establishing a business or expanding the operations of an existing business or by buying a company in the target nation. Foreign direct investment consists of mergers and acquisitions, building new facilities, reinvesting profits earned from the operations of the foreign business (Adeleke, Olowe&Fasesin 2014). The impact of Foreign Direct Investment (FDI) on host countries has been a contentious area of research in the fields of economics, international business and politics. In economics and international business research, investigation of FDI effects in an economy are undertaken using two major approaches. One is the macro approach which involves the empirical investigation of FDI effects on economic growth, trade, real wages or employment. And the other is the micro approach which relates measures of FDI or foreign presence on smaller economic units such as firms or plants. However, in both macro and micro investigations, there is a considerable level of debate and contrasting views. Starting from macro investigations, some studies argue that FDI can augment domestic capital accumulation and thus enhance economic growth (Slywester, 2015). Similarly some show that FDI can fuel domestic investment by raising the investment ratio above the domestic savings ratio (Thirlwall, 2016).

Nigeria is the most populous country in Africa and it is blessed with a large pool of surplus labour. Nigeria's labour market is dualistic as it is characterized with both formal and informal employment with the bulk of its labour force engaged in agriculture particularly at the subsistence level (Ogunlela&Mukhtar, 2009). Oni (2006) argues that reducing the level of unemployment will increase the income level in the economy and thereby reduce the level of poverty. In order to reduce the level of unemployment, some scholars have argued that the flow of goods and services (trade flows) could propel employment generation, especially in developing countries. Growth in employment has a feedback on economic growth, such that an increase in labour incomes would expand domestic demand, which in turn would lead to sustainable GDP growth and reducing risks of excessive reliance on uncertain foreign markets (Wheeler & Moody, 1992). Although Nigeria has large oil revenue, but because there is a tenuous nexus between the oil sector and the rest of the local economy, unemployment is high, poverty is prevalence and security is a current challenge (Okonjo-Iweala 2012, Olugbile 2012). This implies that the large oil revenue is not used to generate employment in the economy. The erratic movement in the rate of unemployment in the country is not unconnected with the various short-run policies put in place to curb unemployment from time to time. In general, Nigeria like any other countries in the world has realized that, as a matter of fact, apart from education, the second most important form of empowerment that a state can bequeath to its citizen is to assure them of gainful employment, hence, successive governments have incorporated one form of employment policy or the other into their programmes (Kareem, 2010).

This is even more so as Africa and indeed Nigeria is undoubtedly facing an economic crisis situation featured by inadequate resources for long-term development, high poverty level, low capacity utilization, high level of unemployment and other Millennium Development Goals (MDGs) increasingly becoming difficult to achieve by 2020. In fact, one of the pillars on which the New Partnership for Africa's Development (NEPAD) was launched was to increase available capital to US\$64 billion through a combination of reforms, resource mobilization and a conducive environment for FDI (Funke&Nsouli, 2003). Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa and indeed is one of the top three leading African countries that consistently received FDI in the past decade. Despite the enormous amount of literature in this field of study, the empirical linkage between FDI and economic growth in Nigeria is yet unclear (Akinlo, 2004).

Since full employment is one of the core elements of economic developments, it is very imperative to find out the likely impact of the inflow of foreign direct investment to the employment generation in Nigeria. It has become necessary to establish the relationship between the two factors as it is beginning to get more acceptance that foreign direct investment brings about economic growth, investment as well as employment in the host countries especially

the one with ordinarily believe that foreign inflow into the Nigeria's economy should reduce the unemployment level but has continued to increase even when the evidences to show that Nigeria economy has attracted more foreign direct investment in recent years. Nigeria is one of the major recipients of foreign direct investment in Africa, together with South Africa, Egypt, Morocco, Tunisia as there has been a steady increase in the net FDI inflows into Nigeria (Udeaja, Udoh&Ebong, 2008). The issue of employment is very germane to Nigeria as well as every economy with high or full rate of employment is one of the macroeconomic goals of every economy. The goal of increasing the level of employment among other macroeconomic objectives is an important one in many developing nations where unemployment and underutilization of resources has led to rising rate of poverty. To increase the level of employment, some scholars have argued that the flow of goods and services (trade flows) could propel employment generation, especially in developing countries (Kareem, 2010).

The broad objective of this study is to determine the relationship between foreign direct investment, exchange rate, trade openness and employment level in Nigeria, and also to ascertain the relationship between foreign aids and employment level in Nigeria. However, this research seeks to investigate the relationship between foreign direct investment, trade openness, exchange rate and employment level in Nigeria and to what extend does relationship between foreign aids and employment level in Nigeria?

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept Foreign Direct Investment

Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. Foreign direct investments (FDI) define overseas investments by private multinational corporations. In other words, foreign direct Investments are multinational investments overseas, (Todaro& Smith, 2003). Investor Words (2010) defined foreign direct investment as productive assets by a company incorporated in a foreign country, as opposed to investment in shares of local companies by foreign entities and stand as an important feature of an increasingly globalized economic system. Foreign direct investment plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products skills and financing. For a host country which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development.

Exchange rate is the price at which a unit of country's currency is exchanged for another country's currency at any point in time. The price at which the Nigerian N1 is exchanged for \$1 is exchange rate. Ibenta (2012) defined exchange rate as the price of the unit of one country's currency quoted in terms of another country's currency, it is the mathematical, qualitative or quantitative expression of one country's currency in terms of another. Exchange rate is the domestic price of a unit of foreign currency and exchange rate can be called the conversion factor that determines the rate of change of currencies. Danladi and Uba (2016), exchange rate is the price of one country's currency in relation to another country, or the required amount of units of a currency that can buy an amount of units of another currency. The management of exchange rate system has been on the ladder of every government today owing to its great influence on the external sector performance. A favorable exchange rate is expected to lower cost of living, especially for developing countries who rely heavily on imports for consumption like Nigeria, for instance, the exchange rate of the Nigerian Naira against the US dollar affects and sharps the production activities in Nigeria. Any fluctuation in the value of the US dollar would transfer such shock to Nigeria due to our reliance of dollar for importations.

The term employment is used to describe a situation whereby able-bodied men and women who are qualified by the condition to work in any given society can gainfully secure jobs whereby he or she will not be exploited on securing the job and equally optimize his or her capability in terms of his marginal labour production. The full employment of labour does not imply that there is no allowable unemployment percentage level but if it is not within the framework of the accepted level considered as full employment for either the developed or developing countries as the case may be, it will not be a serious case for policy decisions. Full employment does not mean zero unemployment; rather it implies the level of employment that results when the rate of unemployment is normal, considering both frictional and structural factors (Babasanya, 2012).

2.2 Theoretical review

Product Life-Cycle theory was formulated by Vernon (1966) and explained certain types of foreign direct investment made by his companies in Western Europe after the World War in the manufacturing industry (Denisia, 2011). There are four stages of Product Life Cycle Theory which are innovation, growth, maturity and decline. The main thrust of the theory according to Shenker (2007), the manufacturer initially gains a monopolistic export advantage from the products innovations developed in the U.S. market. He stated that though the production costs may be cheaper in foreign countries but the production will still be concentrated in the U.S. market at the new product stage. Shenker (2007) maintains that when the product becomes standardized, the U.S. investors will now have incentive to invest abroad to take the advantage of cheaper production cost and this will be made in another industry's country where export sales are large enough to support the economies of scale in local production and lastly at the mature stage all producers go into cost competition including firms imitating foreign firms. It is at this stage, the U.S. initial producer shifts production from the first country of FDI presence to a lower-cost country, sustaining the old subsidiary with new products (Shenker, 2007).

2.3 Empirical Review

Johnny, Timipere, Krokeme and Markjackson (2018) examined the impact of foreign direct investment on unemployment rate in Nigeria from 1980 to 2015. The objective of the study is to examine the relationship between foreign direct investment, capital formation and unemployment rate in Nigeria. The study used two explanatory variables (foreign direct investment and capital formation) and one explained variable (unemployment rate). Tests carried out include unit root test, co-integration test, and ordinary least square. The study revealed that: There is a negative and insignificant relationship between foreign direct investment and unemployment rate in Nigeria, there is a positive and significant relationship between capital formation and unemployment rate in Nigeria. Based on the findings, the study recommends that government should implement policies that will attract foreign investors to Nigeria in order to make more investments and should also ensure that all resources for productive activities are fully employed before going into any form of savings.

Nunnenkamp and Bremont (2017) conducted an empirical research on whether FDI contributed to employment generation in Mexico. The analysis drew on highly disaggregated FDI and employment data covering almost 200 manufacturing industries. They estimated a dynamic labour demand function for blue and white collar workers including both FDI and its interaction with major industry characteristics. The study employed the GMM estimator suggested by Arellano and Bond to account for the short dimension of the study period, 1994 to 2006. The result indicated that FDI has a significantly positive though quantitatively modest impact on manufacturing employment in Mexico. The study however found no evidence that FDI adds to white collar employment but found a positive effect on blue collar employment which overtime, diminished with increasing skill intensity of manufacturing industries.

Abaukaka (2014) examined the relationship between foreign direct investment and employment generation in Nigeria using multiple linear regression model for data which covers the period from 2002 to 2012. To empirically establish the relationship, some variables are incorporated into the econometric model which include Employment level (100 – published unemployment level for the year review) as the dependent variable while the explanatory variables are FDI (percentage of nominal value of FDI in Nbn), GDP (annual GDP growth rate) and the nominal interest rate.

From the empirical results, FDI exhibit negative relationship with the level of employment in Nigeria while GDP, interest rate are positively related with the level of employment but none of the explanatory variables significantly impact on the level of employment in Nigeria within the period of the study. Also the value of R2 and R2 as well as F-statistics reveals that all variables in the model do not significantly impact on the level of employment in Nigeria. The negative relationship of FDI with employment level calls for critical examination because if FDI has been established by many findings of researchers to have positive impact on GDP, it is expected that it should equally bring about reduction in the level of unemployment. At this, the paper recommends amongst others that government should put mechanism whereby the research institutions go in partnership with major industries in the country to develop skills that are adaptable in the contemporary job market and government should ensure that the needed infrastructural facilities are provided to attract more investors.

Ugwu (2014) examined the impact, causality and long run relationship between foreign direct investment and employment in Nigeria. The study employed multiple regression analysis, Johansen co-integration and Granger causality to ascertain the specific objectives of the study. The study employed data from CBN Statistical Bulletin, National Bureau of Statistics, and the World Bank indicators. The findings of the study suggest that FDI has a significant and positive impact on employment, and other significant determinants of employment include; GDP and wage. Also the results show that there exist a significant long run relationship between FDI and employment. Finally the results suggest that FDI granger causes employment but employment does not granger cause FDI. This means that FDI has a significant role on employment in Nigeria and this should not be minimized.

3.0 METHODOLOGY

The study aims at evaluating the impact of foreign direct investment on employment rate in Nigeria. Data for the study were obtained from secondary sources (time series data); these sources include the statistical bulletin of the Central Bank of Nigeria (CBN), National Bureau of Statistics, and the World Bank indicators Office from 1987-2018, precisely published and unpublished materials which include: textbooks, organizations financial statement, journals, magazines, internet web and seminars. The ordinary least square (OLS) method was used based on its BLUE (best, linear, unbiased, estimator) properties. The essence of this technique is its unique feature compared with other techniques of estimation of models. A system based program known as E-Views (Econometrics views) has been adopted for the econometric and statistical analysis of the data.

Model Specification

In testing the hypothesis of the study, the following model was adopted:

$$\text{EmpL} = F(\text{FDI}, \text{FAD}, \text{EXCH}, \text{TO}) \dots \dots \dots \text{i}$$

$$\text{EmpL} = \beta_0 + \beta_1 \text{FDI} + \beta_2 \text{FAD} + \beta_3 \text{EXCH} + \beta_4 \text{TO} + U \dots \dots \text{ii}$$

Where

EmpL = employment level (100 – annual unemployment rate)

FDI = Foreign direct investment,

FAD= Foreign aids,

EXCH= Exchange rate,

TP = Trade openness,

β_0 = Constant term

$\beta_1 - \beta_4$ = Coefficient of explanatory variables

μ = Error term

4.0 Results and Discussion

For the purpose of this study, secondary data have been gathered for the purpose of scientifically using them to validate or refute the hypotheses formulated. This chapter presents the data collected. It also analyzed these data using the appropriate models as constructed in model specification. In addition, conclusions from the research tests and analyses were drawn and related to the research hypotheses. The data obtained from the study has been clearly, analyzed, and using Ordinary Least Square (OLS) method with E-view version 9.

Presentation of Results

Table 4.1 Summary Statistics of the variables used in the regression analysis

	EMPL	ER	TO	FDI	FAD
Mean	12300.08	111.8354	10335.85	6.71E+08	1895.933
Median	12597.54	123.4017	5878.950	4.74E+08	806.8600
Maximum	27358.43	306.1876	32725.20	1.60E+09	7759.200
Minimum	1703.210	7.391600	88.80000	14635080	240.3900
Std. Dev.	7966.642	84.04329	10207.63	5.30E+08	1915.592
Skewness	0.215271	0.590615	0.616054	0.469755	1.398823
Kurtosis	1.868950	2.949964	1.959439	1.702964	4.297998
Jarque-Bera	1.830801	1.747257	3.251073	3.206228	11.88953
Probability	0.400356	0.417434	0.196806	0.201269	0.002620
Sum	369002.3	3355.061	310075.4	2.01E+10	56877.98
Sum Sq. Dev.	1.84E+09	204835.0	3.02E+09	8.16E+18	1.06E+08
Observations	30	30	30	30	30

Source: Authors' computation using Eviews 9.0

Table 4.2 ADF Unit Root test for Stationary (with constant, no trend)

Variables	Order of Stationarity	Augmented Dickey-Fuller test statistic	1% Level Critical Value	5% Level Critical Value	10% Level Critical Value	Order of Integration	Decision
EMPL	At level	-0.971650	-3.679322	-2.967767	-2.622989	1(0)	Not stationary
	1 st difference	-4.083254	-3.752946	-2.998064	-2.638752	1(1)	Stationary
FDI	At level	-1.263067	-3.679322	-2.967767	-2.622989	1(0)	Not Stationary
	1 st difference	-7.157158	-3.689194	-2.971853	-2.625121	1(1)	Stationary
FAD	At level	-1.285631	-3.689194	-2.971853	-2.625121	1(0)	Not Stationary
	1 st difference	-2.290050	-3.689194	-2.971853	-2.625121	1(1)	Stationary
TO	At level	0.765560	-3.679322	-2.967767	-2.622989	1(0)	Not stationary
	1 st difference	-3.149256	-3.689194	-2.971853	-2.625121	1(1)	Stationary
ER	At level	1.046178	-3.679322	-2.967767	-2.622989	1(0)	Not stationary
	1 st difference	-3.837612	-3.689194	-2.971853	-2.625121	1(1)	Stationary

Source: Authors' computation using Eviews 9.0

Table 4.3: Regression analysis

Dependent Variable: LOG(EMPLOYMENTL)

Method: Least Squares

Date: 07/07/20 Time: 07:32

Sample: 1989 2018

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.540459	1.911894	2.897890	0.0077
LOG(TO)	-0.065181	0.143448	-0.454388	0.6535
LOG(FAD)	-0.167668	0.139194	-1.204565	0.2397
LOG(FDI)	0.846483	0.270848	3.125311	0.0045
LOG(ER)	0.085481	0.080068	1.067610	0.2959
R-squared	0.807869	Mean dependent var		9.123987
Adjusted R-squared	0.777128	S.D. dependent var		0.866306
S.E. of regression	0.408978	Akaike info criterion		1.200699
Sum squared resid	4.181565	Schwarz criterion		1.434232
Log likelihood	-13.01048	Hannan-Quinn criter.		1.275408
F-statistic	26.27983	Durbin-Watson stat		0.593570
Prob(F-statistic)	0.000000			

Source: Authors' computation using Eviews 9.0

Table 4.4: Cointegration Test Results

Date: 07/07/20 Time: 07:37

Sample (adjusted): 1991 2018

Included observations: 28 after adjustments

Trend assumption: Linear deterministic trend

Series: EMPLOYMENTL FDI ER TO FAD

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.745910	76.23970	69.81889	0.0140
At most 1	0.561127	37.87782	47.85613	0.3074
At most 2	0.302220	14.81856	29.79707	0.7917
At most 3	0.155704	4.742739	15.49471	0.8355
At most 4	0.000132	0.003683	3.841466	0.9504

Trace test indicates 1 cointegratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.745910	38.36187	33.87687	0.0136
At most 1	0.561127	23.05926	27.58434	0.1710

At most 2	0.302220	10.07582	21.13162	0.7375
At most 3	0.155704	4.739056	14.26460	0.7743
At most 4	0.000132	0.003683	3.841466	0.9504

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Authors' computation using Eviews 9.0

Table 4.5: Granger Causality Test Results

Date: 07/07/20 Time: 07:38

Sample: 1989 2018

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
FDI does not Granger Cause EMPLOYMENTL	28	0.28817	0.7523
EMPLOYMENTL does not Granger Cause FDI		1.31511	0.2879
ER does not Granger Cause EMPLOYMENTL	28	2.40013	0.1131
EMPLOYMENTL does not Granger Cause ER		3.28085	0.0558
TO does not Granger Cause EMPLOYMENTL	28	3.87934	0.0353
EMPLOYMENTL does not Granger Cause TO		0.24263	0.7865
FAD does not Granger Cause EMPLOYMENTL	28	0.62419	0.5445
EMPLOYMENTL does not Granger Cause FAD		0.80989	0.4572
ER does not Granger Cause FDI	28	3.09941	0.0643
FDI does not Granger Cause ER		0.87548	0.4301
TO does not Granger Cause FDI	28	8.13124	0.0021
FDI does not Granger Cause TO		1.17957	0.3253
FAD does not Granger Cause FDI	28	0.75598	0.4809
FDI does not Granger Cause FAD		0.72752	0.4939
TO does not Granger Cause ER	28	2.46302	0.1073
ER does not Granger Cause TO		7.93656	0.0024
FAD does not Granger Cause ER	28	0.35610	0.7042
ER does not Granger Cause FAD		2.13501	0.1411
FAD does not Granger Cause TO	28	1.88551	0.1745
TO does not Granger Cause FAD		1.56385	0.2308

Source: Authors' computation using Eviews 9.0

4.1 Discussion of Results

The summary of the statistics of the variables used in this study as presented in Table 4.1 above. As it was depicted from the table that the foreign direct investment (FDI) has the lowest mean value of 6.71E+08 and the mean value of

foreign aid (FAD) has the highest mean value of 1895.933 whereas the mean values of trade openness (TO), employment level (EMpL) and exchange rate (ER) were 10335.85, 12300.08, 111.8354 respectively. The analysis was also fortified by the values of the skewness and kurtosis of all the variables involved in the models. The skewness is a measure of the symmetry of the histogram while the kurtosis is a measure of the tail shape of the histogram. The bench mark for symmetrical distribution i.e. for the skewness is how close the variable is to zero while in the case of kurtosis, when it is three is called mesokurtic but values lower than that is called platykurtic and above is referred to as leptokurtic. The result of the Jarque-Bera also confirms the normality distribution assumption of the model.

Meanwhile, from the results of the normality test presented in the table above, the null hypothesis of a normal distribution is accepted for EMPL, TO, ER FDI because their Jarque-Bera statistic has a probability greater than 0.05. However, the hypothesis of a normal distribution is rejected for foreign aid (FAD) because it Jarque-Bera statistic has a probability that falls under 0.05. However, the Augmented Dickey-Fuller test or unit root test was shown in table 4.2 above. Unit root analysis is a test conducted to ascertain if the variables under consideration are stationary. We take the following decision rule: if the absolute value of the Augment Dickey Fuller (ADF) test is greater than the critical value either at 1%, 5% or 10% level of significance at the order of zero, one, or two, it shows that variables under consideration are stationary, otherwise they are not. The results of the unit root test show that employment level (EMPL), Trade Openess (TO), foreign aid (FAD) foreign direct investment (FDI and exchange rate (ER) critical values of the variables are greater than the ADF statistical values at level and they were stationary at first difference [1(1)].

In addition, the regression results presented in Table 4.3 above showed that log of trade openness (TO) and foreign aid (FAD) have a negative relationship with employment level without a significant effect. Also, foreign direct investment has a positive and significant effect while exchange rate has positive without having significant effect on employment level. The R-squared revealed that the model is fit as 80% of the changes in the dependent variable are explained by the independent variables in the model. The prob. of F-statistic shows that the overall regression is statistically significant at 1% level. The Durbin-Watson statistic which is lesser than one which depicted that there is serial correlation. Furthermore, the adjusted coefficient of determination (Adj R²) shows that about 77% of the change in foreign direct investment have effect on employment level in Nigeria. This implies that foreign direct investment could be a ensure employment provision that could proffer solution to the menace of unemployment in Nigeria

More so, the F-statistics (26.27983) has probability less than 5%, which indicate that change in foreign direct investment have effect on employment level in Nigeria. This supports the result of the. Adj R² and further confirms that foreign direct investment could be a ensure employment provision.

Furthermore, the Johansen's framework provides a number of co-integrating equations and estimates of all co-integrating vectors in the multivariate case. The Johansen co-integration test result is presented in tables 4.4. The likelihood ratios were conducted to establish the number of co-integrating relations in each of the equations. Test results indicate the existence of two cointegrating equations in the equations at the 1% and 5% significance level. Thus, we conclude that there is long-run relationship between foreign direct investment and employment level in Nigeria.

Meanwhile, from the results of the cointegration test displayed in the first panel of table 4.4, the trace statistic is greater than the critical value; with a probability of 0.0141 which is less than 5%. Therefore, the null hypothesis of no cointegrating vectors is rejected, implying that the variables are cointegrated. This signaling the existence of a long-run relationship between the dependent and independent variables in the study. The results presented in the second panel shows that Maximum-Eigen statistic is higher than the critical value, i.e. the variables are cointegrated.

Table 4.5: Granger Causality Test Results

Lastly, the results of the Granger causality test presented in the first panel of table 4.5 indicated that no causal relationship runs from foreign direct investment and employment level. Also, second panel indicate that unidirectional causality runs from exchange rate and employment level. In addition, the third panel indicate that

unidirectional causality runs from trade openness (TO) and employment level (EMPL). Similarly, indicates no causal relationship between foreign aid and employment level.

4.2 Test of Hypotheses

Decision Rule

In determining the type of relationship that exists between the variables of this study, the following rules are applicable. These rules served as guidelines for deciding which hypothesis to accept or reject the test-statistics at the 0.05 level of significance. In order to have a proper test, the hypotheses were stated in both their null and alternative forms as follows.

If $P\text{-value} \leq \alpha = 0.05$ reject null hypothesis H_0 and accept otherwise.

Hypothesis one

H₀: There is no significant relationship between foreign direct investment and employment level in Nigeria.

H₁: There is significant relationship between foreign direct investment and employment level in Nigeria.

From the test regression in table 4.3, it was revealed that the p-value FDI gives an output of 0.0045 which is lesser than the alpha level of significant at 0.05, hence, we reject null hypothesis and accept alternative hypothesis. Thus, we concluded that there is a significant relationship between foreign direct investment and employment level in Nigeria.

Hypothesis two

H₀: Foreign aids have no significant relationship with employment level in Nigeria.

H₁: Foreign aids have significant relationship with employment level in Nigeria.

From the test regression in table 4.3, it was revealed that the p-value foreign aid (FAD) gives an output of 0.2397 which is greater than the alpha level of significant at 0.05, hence, we reject alternative hypothesis and accept null hypothesis.

Hypothesis three

H₀: Exchange rate has no significant effect on the employment level in Nigeria.

From the test regression in table 4.3, it was revealed that the p-value exchange rate (ER) gives an output of 0.2959 which is greater than the alpha level of significant at 0.05, hence, we reject alternative hypothesis and accept null hypothesis.

Hypothesis four

H₀: There is no significant relationship between trade openness and employment level in Nigeria.

H₁: There is a significant relationship between trade openness and employment level in Nigeria.

From the test regression in table 4.3, it was revealed that the p-value trade openness gives an output of 0.6535 which is greater than the alpha level of significant at 0.05, thus, we reject alternative hypothesis and accept null hypothesis and conclude that there is no significant relationship between trade openness and employment level in Nigeria.

5.0 Findings and Recommendation

This study determined the effect of foreign direct investment on employment rate in Nigeria for the period of 30 years (1989-2018) using ordinary least square regression method. From the statistical analysis of this study, it was revealed that out of the four hypotheses tested only one is statistically significant under the study period. Firstly, this study therefore revealed that there is a significant relationship between foreign direct investment and employment level in Nigeria. Also, findings of this study found out that foreign aids have no significant relationship with employment level in Nigeria. In addition, this study made it known that exchange rate has no significant effect on the employment level in Nigeria. Lastly, findings of this study revealed that there is no significant relationship between trade openness and employment level in Nigeria. Therefore, it can be deduced from this study that foreign direct investment could be a tool to boost employment provision and thus address menace of unemployment in Nigeria. Government should create a competitive environment so as to maximize the benefit of foreign direct investment because by exposing foreign investors to the management and technology, FDI can assist a country like

Nigeria to achieve the higher growth rate and brings about improvement in employment and reduces unemployment level in the country.

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APPENDIX

YEAR	FDI	ER	TO	EmploymentL	FAD
1989	797,748,200	7.3916	88.8	4,202.12	240.39
1990	414,600,000	8.0378	155.6	4,900.01	298.61
1991	411,500,000	9.9095	211.0	3,042.06	328.45
1992	260,100,000	17.2984	348.8	3,313.11	544.26
1993	532,700,000	22.0511	384.4	2,697.09	633.14
1994	328,200,000	21.8861	368.8	1,900.00	648.81
1995	191,753,400	21.8861	1,705.8	1,703.21	716.87
1996	597,184,600	21.8861	1,872.2	3,241.31	617.32
1997	102,972,800	21.8861	2,087.4	3,101.11	595.93
1998	158,801,000	21.8861	1,589.3	3,176.43	633.02
1999	172,817,600	92.6934	2,051.5	8,029.76	2,577.37
2000	168,938,500	102.1052	2,930.7	13,003.18	3,097.38
2001	93,883,560	111.9433	3,226.1	13,574.21	3,176.29
2002	172,161,500	120.9702	3,256.9	12,508.08	3,932.88
2003	167,321,400	129.3565	5,168.1	14,754.12	4,478.33
2004	260,755,100	133.5004	6,589.8	13,323.11	4,890.27
2005	14,635,080	132.1470	10,047.4	11,808.06	2,695.07
2006	319,618,800	128.6516	10,433.2	12,200.43	451.46
2007	867,680,600	125.8331	12,221.7	12,686.99	438.89
2008	1,051,448,000	118.5669		14,851.03	523.25

			15,980.9		
2009	1,525,122,000	148.8802	14,087.0	19,665.50	590.44
2010	911,716,700	150.2980	20,175.5	21,309.01	689.84
2011	816,764,600	153.8616	26,232.5	23,806.12	896.85
2012	1,530,129,000	157.4994	24,905.9	27,358.43	1,026.90
2013	1,227,438,000	157.3112	24,701.4	24,601.05	1,387.33
2014	1,599,407,000	158.5526	23,499.3	25,003.21	1,631.50
2015	1,472,604,000	193.2792	19,921.2	19,265.10	2,111.51
2016	1,303,910,000	253.4923	18,316.0	11,579.80	3,478.91
2017	1,284,063,000	305.8124	24,793.0	17,571.10	5,787.51
2018	1,380,860,000	306.1876	32,725.2	20,827.60	7,759.20

Source: CBN Statistical bulletin 2018 And National bureau of statistics 2018