Foreign Private Investment and Growth of Manufacturing Sector: Perspective from the Nigerian Economy

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Abstract

This study examines the effects of foreign private investment on manufacturing sector growth in Nigeria from 1990 to 2021. This was aimed at ascertaining how FDI representing Foreign direct investment; FPI representing foreign portfolio investment and gross fixed capital formation (GFKF) has stimulate the manufacturing sector performance in Nigeria. Historical data was collated and estimated employing the ARDL form of Ordinary Least Squares (OLS) technique. The empirical results indicate that foreign private investments were not significant to the growth of the manufacturing sector in Nigeria, while gross fixed capita formation did even though it was only a control variable. It means the technological and managerial advantages of FDI and FPI inflows were not relevant to the manufacturing sector growth. What the manufacturing sector need was the more of FDI to the level that its level becomes as high that of gross fixed capital formation. On the basis of the findings of this study, the following recommendations are made: The economic management authorities should ensure the to promote policies that will attract more and more of FDI, such as sustainable domestic public and private capital investment, stable exchange rate and inflation rate; Policymakers are advised to reform the stock market in order to get more and more of manufacturing firms benefit from foreign portfolio investments.

1.0 INTRODUCTION

1.1   Background of the Study

The manufacturing sector has a great impact on the Nigerian's gross domestic products. Clearly many sectors of the Nigerian economy are underperforming and one of the chief culprits is the manufacturing sector for a long time because of many reasons. Just like most African countries, Nigeria also operates an agrarian mono-economy which is highly vulnerable to the instabilities of international prices. The country's natural resources are usually of little or no direct benefit

to the general population which results in high dependency on imported products, thereby leading to a dysfunctional manufacturing sector in Nigeria due to increase in imports and decrease in exports.

The manufacturing sector in Nigeria is seen to be tied to foreign investments because of the purchase of capital equipment in other to facilitate growth and development process. This has been a success in Nigeria until the early 1980s, when oil market that was the major source of the nation's foreign earnings collapsed due to fall in prices. As a result, there was a reduction of foreign investments from the exportation of oil. This could not provide the necessary stimuli for the growth and development in the manufacturing sector (Akinmulegun & Oluwole, 2013).

Various policy measures by government in Nigeria have been adopted in other to rectify the problems associated with the country's foreign earnings, but little was achieved. Among these policies include the Restrictive Monetary Policy, the Stabilization Measure of 1982 and the Stringent Measure of 1984, as well as the Structural Adjustment Programme (SAP) of 1986 whose aim was to reduce the high dependency of crude oil as a major foreign exchange earner by promoting non-oil exports especially the manufacturing products in the economy (Okoli & Agu, 2015). However, with the pursuant of these policies, Nigeria still recorded the second largest recipient of Foreign Private Investment inflows among low-income countries (CBN, 2010). Also, the import substitution policy initially led to a considerable expansion of the manufacturing sector as its share of gross domestic product (GDP) consistently increased until 1970 when it started declining. The latter period was characterized by unstable investment environment and political instability that scared away investors from the sector (Edo &Monye–Emina, 2005). It needs not be over-emphasized that unstable environment portends high risk and disincentive to investment in the manufacturing sector, as well as other productive sectors of the economy.

It is important to note that various factors are impeding the flow of Foreign Private Investment in the Nigerian economy, which has made other sectors mostly the manufacturing sector to suffer, as the level of productivity and performance seems to be very low and poor. These factors include: the present of social-political upheaval from some anti-social group/terrorists known as the "Boko-Haram Sect", insufficient human capital skills, poor management of resources, weak or inadequate infrastructure, corruption, political instability, and poor technological base to support the growth of manufacturing activities and obsolete machinery and equipment (Opaluwa, Ameh, Alabi & Abdul, 2012; Okoli & Agu, 2015). Therefore, in the light of the above, this study examines the effect of FDI on the growth of the manufacturing sector output in Nigeria.

1.2   Research Objectives

The main objective of this work include:
  i.   To examine the relationship between foreign direct investment and manufacturing sector growth in Nigeria.
 ii.   To find out the nature of relationship between foreign portfolio investment and manufacturing sector growth in Nigeria.

1.3   Research Hypotheses

The following hypotheses have been formulated based on the objectives of study;

H0$_1$: Foreign direct investment does not have significant impact on manufacturing sector growth in Nigeria.

H0$_2$: Foreign portfolio investment does not have significant impact on manufacturing sector growth in Nigeria.

2.0   LITERATURE REVIEW

2.1.   Conceptual Clarification

2.1.1   Manufacturing Sector in Nigeria

The manufacturing sector is generally perceived as capable of accelerating economic growth process. This perception is largely due to the nature of activities in the sector, which have potentials to induce sufficient linkages that facilitate growth (Okigbo, 1993).The Nigerian economy is under-industrialized, and in particular, growth of manufacturing sector appears to be highly unstable, which is considered inimical to rapid growth and development of the overall economy (Obadan, 1993; Ekuerhare, 1996).

Edo and Monye–Emina (2005)availed that there are four phases in the evolution of manufacturing in Nigeria, which were largely influenced by government industrial policies and other macroeconomic factors. The first phase covers the pre-independence era that terminated in 1960 and was characterized by the processing of primary products for export and the production of simple consumer goods. During this period, the colonial administration did not initiate any industrial policy to promote industrial development. The second phase, which covers the immediate post-colonial era up to 1970, saw a decline of export-oriented processing and the emergence of import-substitution production activities resulting from government industrialization policy. The development plan that evolved in this era laid a foundation for expansion in industrial capacity and increase in output of manufactures. The third phase covers the era of oil boom up to 1986, and it witnessed direct government investment in manufacturing. Government almost had a monopoly of investment in such sub-sectors as edible salt, fertilizers, pulp and paper, petrochemicals, motor vehicle assembly, etc. During this period, the government also introduced the indigenization policy that substantially increased the participation of indigenous investors in the manufacturing sector.

The fourth and final phase covers the structural adjustment era that is yet to terminate as at 2003. This era witnessed the collapsed of oil prices in the international market causing government revenue to dwindle, hence it could no longer sustain the massive investment in manufacturing. Some of the investments were privatized, and orientation shifted from import-substitution to export promotion. In all of these phases, activities in the sector involved small, medium and large-scale manufacturing, as well as cottage and handicraft enterprises in the informal and unorganized sector. The enterprises in the sector belong to government and private individuals, with the former dominating in the capital-intensive industries. In terms of spatial distribution, there is a high concentration in the south due to availability of seaports for importation of raw materials and exportation of finished goods. Again, activities of the sector are concentrated in urban centers due to the presence of large market, physical infrastructure, and utilities.

The performance of the manufacturing sector in Nigeria can be examined in two discernible periods; the period preceding economic reforms and the period following economic reforms. In the period preceding economic reforms, 1970 – 1985, the sector performed fairly well. Output grew and averaged 11 percent per annum, while its share of GDP peaked at 13 percent in 1982. Average capacity utilization between 1975 and 1982 was 73.2 percent. A key feature of this period is the rise in import requirement of the sector to more than 60 percent of its inputs. Activities of the sector during the period, was mainly a reflection of government incentives aimed at enhancing industrial growth. The exchange rate policy caused the local currency to appreciate, thus protecting the import competing industries. The sector was also classified a high priority area and consequently scheduled to benefit from Central Bank selective credit control guidelines (Central Bank of Nigeria, 2000). The post economic reform period, starting from 1986, appears to be a critical one for the manufacturing sector, as its performance deteriorated. The period up to 1998 indicates that output of the sector grew by a mere average of 0.12 percent, and its share of total export for the same period was an average of 0.19 percent. As for capacity utilization, it deteriorated to an all time low of 28.3 percent in 1995.

Overall, the performance of the manufacturing sector in Nigeria since 1970 cannot be considered impressive compared to her contemporaries in other parts of the world, especially Asian countries that were at the same level of development as Nigeria in the early 1960s. The manufacturing sectors in most Asia countries have recorded impressive and outstanding growth, while that of Nigeria has continued to lag behind. Economic analysts have raised a number of pertinent issues relating to the unimpressive performance of the sector.

2.1.2   Role of Foreign Private Investment in Manufacturing Sector Growth in Nigeria

Foreign direct investment is the interest in which a firm secures a considerable controlling enthusiasm for an outside firm (over 10 percent offer) or sets up an auxiliary in an outside nation. According to Hannon and Reddy (2012) FDI involves mergers and acquisitions (M & As), construction of new offices, reinvesting benefits realized from foreign activities and intra organization credits. Foreign direct investment (FDI) is the procedure where individuals in one nation acquire control over the creation, dissemination and different functions of a firm in an outside nation (Moosa, 2002). Foreign direct investment is a cross-fringe venture made by an occupant in one economy (the immediate financial specialist) with the target of building up an enduring enthusiasm for an endeavor (the immediate speculation undertaking) that is inhabitant in an economy other than that of the immediate speculator (OECD, 2008). Glass and Saggi (2009) were of the opinion that foreign direct investment alludes to a development of capital that includes possession and control of a firm in another nation. FDI is expected to enlarge local capital in this way by empowering the efficiency of residential speculations.

The contribution of Foreign Direct Investment to the economy has been debated extensively over the years. This debate however covers all economies. In addition, a lot more focus has been put into the study of FDI since it is seen to have a larger impact on the economy. Dozens of scholars have explored the causes of the existing relationship between FDI and its contributions to the growth of an economy. Proponents of foreign direct investment such as development institutions,

economists, academics and policy makers argued that FDI ensures efficient allocation of resources as compared to other forms of capital inflows. Some literature suggests that the FDI inflows have a positive impact on economic growth of host countries but other literatures suggested otherwise.

In most developed and developing countries today, one of the major channels of achieving a rapid economic development, is to attract Foreign Direct Investment (FDI) in different sectors of the economy, most especially in the manufacturing sector because of its well-known economic advantages. FDI provides much needed resources to developing countries such as capital, technology, managerial skills, entrepreneurial ability, brands, and access to markets, as they are essential for developing countries to industrialize, develop, and create jobs attacking the poverty situation in their countries (Chenery&Strout, 1966).

In relation to the Nigerian manufacturing sector, Ayanwale (2007) studied the effects of foreign direct investment on the performance of the Nigerian manufacturing sector, and revealed that the country is striving to attract more foreign investors. This is so because the revenue gained through these investments can support the operations and activities of the manufacturing sector.

In addition, the study of Ayanwale (2007) brought to light that while foreign investments in manufacturing could be beneficial to the economy, it is necessary that human resource issues are resolved as well so that the financial resources can be effectively utilized. Imoudu (2012) submits that there has been some diversification into the manufacturing sector in recent years, although FDI in Nigeria has traditionally been concentrated in the extractive industries.

Most developing countries depend on foreign private investment, which takes a significantly large proportion of capital inflow and exerts significant impact on the productive sectors of the economy. The other components of capital inflow (official and multilateral), constitute a lesser proportion, and contribute less to production activities in the economy (Loungaui and Razin, 2001). The changing trend of foreign investment flows to developing countries is a reflection of international perception of the prevailing political, social and economic conditions that may affect returns on investment in such countries.

The role of foreign private investment in the growth of manufacturing sector of developing countries is somewhat controversial. On the one hand, it is argued that it promotes growth by providing external funds to fill the gap between desired and actual investments in the sector. This hypothesis goes further to explain that foreign investments facilitate growth of the sector by introducing advanced technology, as well as better management and organization (Tsai, 1994).

On the other hand, it is argued that foreign private investments have only short-term positive effects on growth of the manufacturing sector, but exerts a more significant negative long-term impact on the sector. There is no doubt that increase in foreign investment stimulates production and consumption of manufactures in the short-term, but as the inflow increases, the host country would tend to depend on foreign investments and their poor linkages in the economy, to the detriment of indigenous investment. This situation has the potential for creating adverse effects on growth of the sector, because possible economic shocks could lead to capital flight that may stagnate the sector (Stoneman, 1975; Bornschier, 1980; O' Hearn, 1990).

2.1.3 Foreign Private Investment in Nigeria

Nigeria as the largest economy in Africa has attracted significant amount of FDI inflow in recent years. The foreign direct investment inflow in Nigeria increased from $193.2 million in 1986 to $1874.04 billion in 2002. For the periods of 2003 to 2013, it further rose from $2005.4 billion to $5609 billion. The inflow of FDI as the percentage of GDP increased from 0.93 percent in 1986 to 5.05 percent in 2009 but later declined to 1.64 percent in 2010 and 1.07 percent in 2013 (UNCTAD, 2015).

However, according to UNCTAD (2015), Nigeria saw its FDI inflow decline from 2010 to 2015 by 27% to $3.4 billion as the nation was hard hit by the global drop in oil price, against this backdrop she accounted for about 6% of FDI inflow to Africa and received approximately 31% of the sub-regional total, with the oil and gas sector alone receiving about 70% of the FDI inflow. This was as a result on the fact that FDI over the years domiciled mainly in the now gloomy oil sector in Nigeria, hence contributing to the underdevelopment of the manufacturing sector.

The sudden drop of FDI inflows in 2010 took place due to recent events that occurred during the past administration. Among the events majorly was the present of socio-political upheaval from some anti-social group known as the "BokoHaram Sect" in the country especially in the Northeast which is highly detrimental to the growth and health of the nation's economy. Okoli&Agu (2015) opined that the presence of the terrorists – BokoHaram was a kind of a snail movement of the development process and eventually a complete overhauling of the entire system, lack of industrialization, capital flight and absence of technology transfers. This makes the country economically unfriendly and non-conducive for investors to thrive. Because, no investor will like to invest in a place where he will suffer capital loss no matter how promising it will appear.

Therefore, it is evident that if a host country like Nigeria creates a conducive and friendly macroeconomic environment for investors, FDI can play a crucial role in the manufacturing sector which will carve out potential benefits which include employment generation, promotion of citizen's welfare and economic growth by providing additional capital to the host country, stabilizing exchange rate, supplementing domestic savings and transfer of modern technology.

2.2 Empirical Review

Idoko and Taiga (2018)examined the effect of Foreign Direct Investment (FDI) on manufacturing sector output growth in Nigeria for the period of 1981 to 2015. The research was guided by two research questions and objectives. The Vector Auto Regression (VAR) technique and Johansen Co-integration test were employed for testing the hypotheses of the study. The VAR analysis empirical results from the impulse response function and variance decomposition test shows that FDI had a positive but minimal effect on the manufacturing sector output in Nigeria. The Co-integration test results show that there exist a long-run relationship between FDI and the manufacturing sector output growth in Nigeria.

Ebekozien, Ugochukwu and Okoye (2015) employed simple percentages, regression analysis, Duncan Multiple Range Test and Granger Test to analyse the effect of inflow trends of Foreign

Direct Investment in the Nigerian construction industry with data sourced from the central bank of Nigeria and the National Bureau of Statistics served, and revealed that there is poor flow (or an insignificant flow) of FDI into construction sector when compared to other sectors of the economy.

Anowor, Ukweni, Ibiam, &Ezekwem (2013) employed the OLS estimation technique to analyze the contributions of foreign direct investment to the growth of manufacturing sector in Nigeria using annual time series data from 1970 to 2011, with data sourced from Central Bank of Nigeria (CBN) Statistical Bulletins of 2012, which revealed that FDI was related and statistically significant to manufacturing sector output growth among other variables such as the exchange rate, degree of trade openness and domestic investment.

Okoli and Agu (2015) employed the OLS and VECM techniques to assess the impact of foreign direct investment flow on the performance of the manufacturing firms in Nigeria spanning for a period of 40 years, with data sourced from World Bank and CBN bulletins, which revealed that FDI inflows had a positive impact only in the long-run. The results obtained suggest the need for government actions to be geared towards strategically maintaining and sustaining policies that will help encourage FDI inflows to promote an efficient and enabling macroeconomic environment on which manufacturing firms can thrive.

Patience (2011) examines the impact of foreign direct investment on manufacturing output growth of West Africa. The study is conducted across the Economic community of West African States (ECOWAS) which is the most popular regional economic community in Africa. Data was collected from banks annual reviews. It was found that foreign direct investment contributes to manufacturing output growth in West Africa.

Ayanwale (2007) employed the OLS technique to investigate the empirical relationship between non-extractive FDI and economic growth in Nigeria spanning from 1975 to 2006 with relevant data sourced from National Bureau of Statistics and Central Bank of Nigeria statistical bulletins, which revealed that FDI has a positive link with economic growth. However, he cautioned that the overall effect of FDI on economic growth may not be significant.

Osisanwo (2013) employed the ordinary least square (OLS) method toanalyse the impact of foreign direct investment on manufacturing outputgrowth in Nigeria between a decade after independence (1970) and 2011 with data sourced from the CBN bulletins, which revealed that the first lag of real manufacturing output level (MANt-1) and inflation (INF) are significant factors influencing the growth rate of Nigerian manufacturing industry, while manufacturing output is insignificantly and inelastic of foreign direct investment in Nigeria.

Sola, Obamuyi, Adekunjo, &Ogunleye(2013) employed the panel data analysis to examine the manufacturing performance for sustainable economic development in Nigeria from 1980 to 2008 with various data obtained from National Bureau of Statistics (NBS), which recorded a positive relationship between manufacturing and capacity utilization; a negative relationship between manufacturing and investment rate, exchange rate, and export. The study suggest that the provision of incentives for firms to become more export oriented.

Taiga (2012) used the ordinary least square (OLS) method to ascertain the relationship between manufacturing and economic growth in Nigeria from 1990 to 2010, with relevant data sourced from various issues of National Bureau of Statistics and Central Bank of Nigeria (CBN) Statistical Bulletins, which revealed that the manufacturing sector output contributed positively to real gross domestic product growth. He suggested that there should be a reduction in interest rate to encourage more investment in the economy which will boost the economy growth of Nigeria.

Li and Liu (2005) use the panel data of 84 countries to investigate the influence of FDI and economic growth spanning from 1990 to 2004 with relevant data sourced from World Bank's World Development Indicators, which revealed a significant relationship between FDI and economic growth. Additionally, a stronger relationship was extracted when FDI is interacted with human capital. The same conclusion emerged in the study of Kiong&Jomo (2005) who examined the influences of FDI on Malaysian economy. However, while positive effects of FDI on growth were found, the study cautioned that the net effect of FDI could be limited when FDI affects the domestic saving rate negatively.

Adejumo (2013) used the autoregressive lag distribution technique to determine the relationship between FDI and manufacturing value added in Nigeria between the period 1970 and 2009 with data sourced from various issues of Central Bank of Nigeria (CBN) statistical bulletins and National Bureau of Statistics (NBS), which was revealed that in the long run, foreign direct investments have had a negative effect on the manufacturing sub-sector in Nigeria.

Orji, Anthony-Orji, Nchege, &Okafor (2015), employed the classical linear regression model and with relevant data sourced from Central Bank of Nigeria (CBN) statistical bulletins, they examined the impact of FDI on the Nigeria manufacturing sector over the period of 1970 to 2010, which revealed that FDI impacted negatively on the manufacturing sector. Based on the results, they suggested that the unhealthy relationship can be reversed if the country receives increased FDI inflows into critical sectors that support the necessary inputs and raw materials needed by the local industries.

From the empirical review, it was discovered from the research work conducted, there was more emphasis made on effect analysis of FDI on economic growth, and not on the manufacturing sector output and its long-run relationship.In addition, the period of previous studies was not extended to the year 2016. To overcome this shortfall on the concept of FDI, the study therefore employed the annual time series data to examine the effect and long-run relationship between FDI and manufacturing output and other explanatory variables such as exchange rate, inflation rate, and capacity utilization rate. Empirically, the study adopts the Autoregression Distributed Lag (ARDL) technique to examine its significant effect among the variables, and Johansen co-integration test for long-run relationship spanning for 32 years, which was extended to 2021 (i.e. 1990 -2021).

2.3   Theoretical Framework

External Capital Requirement Theory (ECRT)

This theory suggests that countries vary in respect to how much of other forms of capital inflow can be substituted by foreign direct investment. This can result from the different economic structures, each having its own distinct attraction to foreign investors along with differences in the macroeconomic causes of the necessity for external capital inflow. This implies that larger countries with more infrastructure, resources and a vigorous industrial sector can utilise FDI to replace borrowing from international financial market. Countries with previous affiliation to international corporate business also attract FDI. Therefore, countries with small international market, relatively under-developed infrastructure and limited export potentials may be unable to invite a substantial of FDI for their economy, even with a host of incentives.

The currency area argument developed by Aliber (2015) opined that companies in nations where their national currencies are strong seem often times to invest more in foreign countries and companies from abroad too seem less disposed to invest in the economy of such a country. This argument has supportive mandate on capital market assets in selected currencies. Testing this argument further, reveals that over- valuation of a currency is likely to lead to FDI outflows while under- valuation attracts FDI.

3.0   METHODOLOGY

3.1   Research Design

Data for the study were retrieved from archives hence the study adopted the ex-post facto research design. The design uses data already occurred but not necessarily amassed for research purposes (Otuya, 2020). The design is considered suitable for this study because it can be used to test the relationships between and among the variables of the study. The study uses the ARDL form of Ordinary Least Squares (OLS) model which contains the variables of interest: foreign portfolio investment, foreign direct investment and growth of the manufacturing sector for Nigeria.

3.2   Data Collection Methods

Secondary data will be used in this study. Specifically, the data will be collected from the published CBN Statistical Bulletin which is a composite of annual reports of the economic activities in Nigeria. To establish the relationship between foreign private investment and growth of the manufacturing sector in Nigerian, this study uses annual data for foreign portfolio investment, foreign direct investment and the ratio of stock market capitalization to GDP over the period 1990 to 2021, making it a total of 30 observations.

3.3   Analytical Framework and Model Derivation

Foreign private investment has two major components: portfolio investment and direct investment. Portfolio investment is in the form of equity capital, either share or bond holding, in ventures in developing countries. The equity capital thus empowers its owner to flow dividends. On the other hand, direct foreign investment enables the foreigner to own the physical productive assets which he operates directly. This flow of resources is essentially carried out by large multinational or transnational corporations with headquarters in the developed nations. Flow of financial capital is by private international banks.

Furthermore, there have been empirical postulations to support the claim that foreign private investment might be growth-enhancing through the capital market. The premise of this claim is that foreign private investment affects economic growth by stimulating domestic investment, increasing human capital formation and by facilitating the transfer of technology in the host countries. If we are to investigate this claim in this study, it then means that we transform this statement into a mathematical model, which is:

$$MSG = f(FDI, FPI)$$

If we assume in this study that a long-run relationship exists between foreign private investment and the growth of the manufacturing sector, then we adopt the OLS model to estimate cause and effect relationship. The focus of the model is to examine to what extent foreign private investment affects growth of the manufacturing sector in Nigeria. The ratio of manufacturing value added to GDP is used as the dependent variable in this model. The independent variables for the model are foreign private investments elements such as foreign portfolio investment (FPI) and foreign direct investment (FDI).

3.4 Method of Data Analysis

The simple ordinary least squares based on the ARDL framework to examine the relationship between foreign private investment and the growth of the manufacturing sector. The model is autoregressive because the dependent variable is explained in part by the lagged values of itself. The approach involves estimating the following equation:

$$MSG_t = \alpha_0 + \alpha_1 MSG_{t-i} + \alpha_2 FDI + \alpha_3 FPI + \alpha_4 GFKF + \mu_t \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (3.2)$$

Where:

MSG $\quad = \quad$ manufacturing sector growth;

FDI $\quad = \quad$ Foreign direct investment;

FPI $\quad = \quad$ Foreign portfolio investment;

GFKF $\quad = \quad$ gross fixed capital formation as control variable

t $\quad = \quad$ represent the time dimension

α_0 $\quad = \quad$ Intercept;

$\alpha_{1t} - \alpha_{3t}$ $\quad = \quad$ model coefficient to be estimated

u_t $\quad = \quad$ model error terms

3.5 Hypothesis Testing and Decision Rule Criteria

The decision rule was employed to test the hypothesis of the study and to make comparison between the probability value and the critical value. The study adopted 5% as its level of significance. The following decision rules were adopted for rejecting or accepting the null hypotheses: If,

i. Probability value (p-value) > 0.05 critical value; do not reject the null hypothesis (H_{0i}).
ii. Probability value (p-value) < 0.05 critical value; reject the null hypothesis (H_{0i}).

4.0   DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

The study conducted the descriptive statistics of the relevant variables involved. Table 4.1 vividly shows these statistics. It shows total number of observations, mean, median, maximum, minimum, standard deviation and the sum of mean deviation. This study's dependent variable is manufacturing sector growth (MSG), while the independent variables are FDI representing Foreign direct investment; FPI representing foreign portfolio investment; and GFKF representing gross fixed capital formation as control variable. However, MSG has a minimum of 6.55% and a maximum value of 20.937% of Nigeria's GDP. In the same measure, the maximum and minimum values for FPI are -3.78% and 1.09%; for GFKF are 14.17% and 53.12%; for FDI are 0.19% and 5.79%, respectively.

Table 4.1: Descriptive Statistics

	MSG	GFKF	FPI	FDI
Mean	12.73326	27.92886	-0.402031	1.626559
Median	11.66709	26.11488	-0.078306	1.501216
Maximum	20.92708	53.12219	1.098178	5.790847
Minimum	6.552817	14.16873	-3.778864	0.195183
Std. Dev.	4.521102	11.40089	0.927249	1.206098
Skewness	0.412103	0.485330	-1.968276	1.825874
Kurtosis	1.706997	2.103022	7.530341	6.736571
Jarque-Bera	3.134900	2.328999	48.02725	36.39629
Probability	0.208576	0.312079	0.000000	0.000000
Sum	407.4643	893.7235	-12.86500	52.04989
Sum Sq. Dev.	633.6513	4029.386	26.65352	45.09486
Observations	32	32	32	32

Source: Researcher

For the degree of volatility, the standard deviation in table 4.1 showed that GFKF in Nigeria was more volatile having a standard deviation value of 11.40. This is clearly so because the standard deviation value is the highest among all the data included in the model.

4.2   Model Estimation

The estimated levels ARDL long-run model from the coefficients is stated below:

MSG = 0.072 - 1.09*FPI + 0.78*FDI + 0.42*GFKF

From the model estimation above, foreign portfolio investment has a long-run negative impact on manufacturing sector growth, while foreign direct investment and gross fixed capital formation had positive impacts. However, the contribution of foreign direct investment to manufacturing sector growth is seen to be the highest with a coefficient value of 0.78.

4.3   Hypotheses Testing

To test the hypotheses, we will use probability criteria, if:

$p > 0.05$:   Accept H_O.

$p < 0.05$:   Reject H_O.

4.3.1   Testing of Hypothesis One (1)

Hypothesis one is restated below:

H0₁: Foreign direct investment does not have significant impact on manufacturing sector growth in Nigeria.

Table 4.2: Extraction for Testing Hypotheses One

Variable	Coefficient	t-Statistic	Prob.*	Decision
FDI	0.7795	0.8438	0.4079	Accept H01

Source: Researcher

First of all, the result shows that there is a positive and insignificant relationship between FDI and MSG (representative of the growth of the manufacturing sector) in Nigeria. The result means that a single unit increase in FDI leads to an increase of 0.7795 units in manufacturing sector value added in Nigeria. Since the computed probability value of FDI (0.4079) is greater than the critical test level of 0.05 (i.e. P > 0.05), we accept the null hypothesis and conclude that Foreign direct investment does not have significant impact on manufacturing sector growth in Nigeria.

4.3.2   Testing of Hypothesis two (2)

Hypothesis two is restated below:

H0₂: Foreign portfolio investment does not have significant impact on manufacturing sector growth in Nigeria.

Table 4.3: Extraction for Testing Hypotheses Two

Variable	Coefficient	t-Statistic	Prob.*	Decision
FPI	-1.0886	-1.2110	0.2387	Accept H01

Source: Researcher

The result in table 4.3 as issued in regression revealed that there is a negative and insignificant relationship between FPI and MSG (representative of the growth of the manufacturing sector) in Nigeria. The result means that a single unit increase in FPI leads to a decrease of 1.0886 units in manufacturing sector value added in Nigeria. Since the computed probability value of FPI (0.2387) is greater than the critical test level of 0.05 (i.e. $P > 0.05$), we accept the null hypothesis and conclude that Foreign portfolio investment does not have significant impact on manufacturing sector growth in Nigeria.

4.4   Discussion of Results

This study employed regression analysis to examine the effects of foreign private investments on the growth of the manufacturing sector in Nigeria. The rest of this section discusses the findings of the study.

4.4.1   Effect of foreign direct investment on manufacturing sector growth in Nigeria

The first objective of this study was to determine the effect of foreign direct investment on manufacturing sector growth in Nigeria. The regression analysis shows that foreign direct investment have positive and insignificant relationship with manufacturing sector performance in Nigeria. Although the effect is not significant but most importantly, it is positive. Through FDI, foreign investors benefit from utilizing their assets and resources efficiently, while FDI recipients benefit from acquiring technologies and from getting involved in international production and trade networks. More inflow of FDI provides much needed resources to developing countries such as capital, technology, managerial skills, entrepreneurial ability, brands, and access to markets. These are essential for developing countries to industrialize, develop, and create jobs attacking the poverty situation in their countries. As a result, most developing countries recognize the potential value of FDI and have liberalized their investment regimes and engaged in investment promotion activities to attract various countries.

The success stories of India and China's economic development has highlighted the benefits that accrue to a country that optimally utilizes every strategy that will attract and gain value from foreign investment. While it has been echoed from many quarters that Nigerian has the largest economy in sub-Saharan because of its rich human and natural resources, it (Nigeria) has been considered one of the 20 poorest countries of the world; about 70% of her population live below poverty line and with an investment rate of barely 10% of her GDP, thus is below the minimum investment rate of about 30% of GDP required to reduce poverty (World Bank 2011). So, the recommendation is to pursue to attract more FDI into the country.

4.4.2 Effect of foreign portfolio investment on manufacturing sector growth in Nigeria

Another objective of this study was to determine the effect of foreign portfolio investment on manufacturing sector growth in Nigeria. The regression analysis shows that foreign portfolio investment is negative and insignificant; implying that an increase in value of foreign portfolio investment in Nigerian would decrease manufacturing sector performance in Nigeria. FDI has been seen over some periods of time as a means of boosting the economy as it helps to transfer technological and managerial practices through the host countries and thereby exhibiting more positive external influences on the economy. Though portfolio investment is also good in its own way but cannot be compared to FDI in terms of its external impact. Samuelson, (1995) opined that FDI flows tend to be more stable compared to the portfolio investment. This is because of the liquidity of FPI and the short time horizon associated with such investment. Also, FDI inflows can be less affected by change in national exchange rates as compared to FPI. However, a good combination of the two bearing in mind the unique characteristics of the recipient economy will bring about the required effects on the economy.

5.0　　　　　　CONCLUSION AND RECOMMENDATION

5.1　Conclusion

This study examines the effects of foreign private investment on manufacturing sector growth in Nigeria. This was aimed at ascertaining how FDI representing Foreign direct investment; FPI representing foreign portfolio investment and gross fixed capital formation (GFKF) has stimulate the manufacturing sector performance in Nigeria. Historical data was collated and estimated employing the ARDL form of Ordinary Least Squares (OLS) technique. The empirical results indicate that foreign private investments were not significant to the growth of the manufacturing sector in Nigeria, while gross fixed capita formation did even though it was only a control variable. It means the technological and managerial advantages of FDI and FPI inflows were not relevant to the manufacturing sector growth. What the manufacturing sector need was the more of FDI to the level that its level becomes as high that of gross fixed capital formation.

5.2　Recommendations

On the basis of the findings of this study, the following recommendations are made.

a) The economic management authorities should ensure the to promote policies that will attract more and more of FDI, such as sustainable domestic public and private capital investment, stable exchange rate and inflation rate.
b) Policymakers are advised to reform the stock market in order to get more and more of manufacturing firms benefit from foreign portfolio investments.

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