

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE MANUFACTURING SECTOR IN NIGERIA (1980-2013)

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ABSTRACT

FDI accelerate the process of development in the manufacturing sector, as well as the economy at large. Yet, the macro-economic objective such as attainment of full employment, price stability and balance of payment has not been achieved despite the level of foreign investment in Nigeria. The main objective of the study is to investigate the impact of foreign direct investment on the manufacturing sector in Nigeria, between the period 1980 and 2013. And the specific objective is to ascertain whether FDI and manufacturing sector co integrate and to test for the direction of causality between FDI and manufacturing sector in Nigeria, etc. The study adopted the OLI-paradigm framework as the standard theory for analysis on foreign subsidiaries of multinational corporations. Nigeria as a country, given her natural resource base and large market size, qualifies to be a major recipient of FDI in Africa. Therefore, there is a basis for the investigation of the impact of multinationals in the Nigerian manufacturing industry. Ordinary Least Square method was adopted in the study using time series data. Again, descriptive statistics, ADF unit root test, and Granger causality test was also used to determine the impact of foreign direct investment on manufacturing value added proxy for manufacturing sector. It was revealed that foreign direct investment has negative impact on the manufacturing sector. Therefore, it is recommended among others that there is a need for human resource development in the country and domestic firms investing in new technologies in order to maintain market shares.