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IMPACT OF FOREIGN DIRECT INVESTMENT IN A RECESSED ECONOMY

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Abstract

This seminar paper is on Impact of Foreign Direct Investment in a Recessed Economy with particular reference to Nigeria. The researcher however narrowed the scope of the work to Stanbic IBTC Bank (Owerri Branch), Julius Berger Construction PLC (Uyo Branch), MTN (Owerri Branch) and Standard Chartered Bank (Aba Branch). The following were objectives of the paper (1) to determine the effects of foreign direct investment in a recessed economy; (2) to determine the extent FDI has assisted nations in recovering from recession; (3) to find out how capital market affect the operations of foreign investors; (4) to find out how government policies affect the activities of foreign investors. A survey study was adopted with 5 points Likert Scale questionnaire used for collection of data from a sample size of 302. Some of the finds were (a) FDI has a positive effect on the stock market of a recessed economy. (b) FDI increases the GDP of a nation. (c) FDI helps in quick recovery of a nation's economy from recession. (d) Trade restriction among nations affects flow of FDI. (e) FDI has a multiple effect on economic development of a nation such as job creation, increase in government revenue etc. Also some recommendations were made as follows: (i) government should grant tax relief to FDIs so as to encourage them. (2) adequate provision of infrastructural facilities to facilitate business operation. (3) the political and economic environment should be stable to enable business to make their projections/planning.

Key Words: *Foreign Direct Investment; GDP; Economy and Investors.*

INTRODUCTION

Foreign direct investment (FDI) can be regarded as those investments/companies owned by individuals or group of people in a country rather than the country of their origin and this is achieved either by purchasing an existing firm in a foreign land or by expanding their operation from the existing business into a foreign country. In a nutshell, FDI has to do with merger and acquisition of business enterprises in a foreign land, construction of factories and reinvesting gains made in the foreign land. According to Todaro (1977) FDI increases inflow of technology and skills and further cover the distance between homely available supplies of saving,

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foreign exchange and government revenue. According to Onu in Adeleke, Olowe and Fasesin (2014) contributions of FDI to Japan after World War II and in South Korea after Korean War has assisted the economic growth of these countries in different ways such as human capital development, technology and management expertise.

According to Rodriguez and Rodrik (1999) very few scholars advocated for the imposition of restriction of foreign trade. FDI, trade among nations and all forms of collaboration among nations play a very important role in the allocation/management of scarce resources among the nations. There have been criticism on some empirical studies on how FDI affects Nigeria economy and that has given rise for further studies on how FDI could help Nigeria in her financial crisis and there is no doubt that foreign direct investment assists in economic growth of developing nations.

In Nigeria FDI has been in existence since the colonial era when the task masters exploit the resources in Nigeria to develop their own economy. The discovery of oil in Nigeria attracted the interest of foreign investors to invest in Nigeria with the intention of using profits made in our country to develop their country. Also Nigeria has noted the importance of FDI in economic growth and development and have entrenched policies and regulations as a measure to checkmate the inflow of FDI in the country. To encourage FDI in Nigeria, government among other measures adopted the privatization of government enterprises to enable foreign investors invest in Nigeria (Lall 2002). In the words of Shiro (2009) Nigeria has enacted laws that encourages foreign investors to invest in Nigeria and removed those law that were inimical to foreign investors.

Statement of the Problem

All over the world, nations from time to time go into recession which consequently affects the economy of that country adversely. Of recent, Nigeria economy went into recession that much more than it has been experienced before. In the mix of this recession efforts are being made by government officials to get Nigeria out of this situation. Among this efforts are regular visit of our governors, president and ministers to foreign lands to attract/woo investors into the economy so that there could be more money in circulation and value of Naira could increase.

These visits and huge expenses incurred during these trips has not been felt in the economy and many law promulgated to attract investors do not seem to be effective. Since 2015 till date, Nigeria has been experiencing recession and investors are leaving the country. Furthermore, cost of doing business in Nigeria is increasing day by day. High exchange rate in Nigeria has adversely affected investment in Nigeria by foreigners.

Objectives of the Study

This study wished to elucidate the impact of Foreign Direct Investment in a Recessed Economy, using Nigeria as reference country.

The specific objectives were as follows:

1. To determine the effects of foreign direct investment in a recessed economy
2. To determine the extent FDI has assisted nations in recovering from recession.
3. To find out how capital market affect the operations of foreign investors
4. To find out how government policies affect the activities of foreign investors

Research Questions

The following research questions were posed to find solution to the objectives of the study:

5. What are the effects of foreign direct investment in a recessed economy like Nigeria?
6. To what extent do FDI assist nations in recovering from recession?
7. How does capital market affect the operations of FDI
8. How do government policies affect FDI

Scope of the Study

This study was to ascertain the impact of foreign direct investment in a recessed economy. The study looked into how FDI has helped Nigeria in the pact to recover from recession from 2015 – 2017. The study was carried out at Stanbic IBTC Okigwe Road branch, Owerri Imo State, Julius Berger Construction Company (Uyo Akwa Ibom) branch, MTN Owerri branch and Chartered Bank (Aba Owerri Road branch) Aba Abia State.

Significance of Study

This research/study shall be of immense benefit to Management and Staff of the organizations under study, states, federal government and financial institutions especially Central Bank of Nigeria. It shall also be useful to future researcher, stock exchange and other policy makers.

LITERATURE REVIEW

Conceptual Framework

Jenkin and Thomas (2002) in Adigwe, Ezeagba and Francis (2015) opined that FDI help in the economic growth of the host country which include the provision of foreign capital and adding to domestic investment. It could be deduced that foreign direct investment activities add to employment opportunities and stimulates economic activities. It is also believed that most developing countries' government are not able to generate enough revenue sufficient to run the affairs of the country, hence Adegbite and Ayadi (2010) stated that FDI cover the gap in domestic revenue generation of developing countries. They also adduced that FDI help in adoption of foreign technologies in the host country and other forms of externalities. According to Adigwe, Ezeagba and Francis (2015) FDI investments include external resources including technology, managerial and marketing expertise and capital. It is expected that these brings considerable impact on the host nations productivity and consequently success in governments efforts in stimulating productive base of the economy and this depends on the ability to control amount of FDI through managerial, capital and technological resources to boost the existing production capacity (Omankhanlen, 2011). Kumar (2007) in Adigwe et'al (2015) stated that foreign direct investment involves parent companies putting equity capital by buying shares in foreign affiliates. It may also be in form of reinvesting the affiliate's earning.

According to IMF (1977) FDI is investment made to acquire interest in a company operating in country other than that of the investor and investors aim is to be effective in the management or control of the organization. It should be noted that FDI in most cases are carried out by multinational companies and FDI is different from portfolio investment because FDI carry control over the borrowing entity while portfolio investment does not involve direct control over use of lending fund. FDI recently has been seen as a vehicle for conveying resources and technology across national borders. It is worthy to note here that Nigeria was among

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the countries that enjoyed to an extent macroeconomic stability and GDP increase that went above 5% in 2004 (financial Times, 2007). This growth and development in Africa and especially in Nigeria economy depends reasonably on FDI which is seen as major way of transferring knowledge and other technological know-how

Performance of FDI in Africa

Most African countries after gaining independence in 1960s reluctantly embraced free trade and investment. As a result, some countries in 1970s and 1980s within the region imposed trade restrictions and capital controls as a means of protecting domestic industries from foreign firms and conserving scarce foreign exchange reserves (Olokoya, 2012). However, Rodrik (1998) inferred that there is substantial evidence that, that decision was injurious and inimical to economic growth and living conditions in the region. It is therefore imperative to say that the disappointing economic performance in African countries in addition to the globalization of world economy has caused world economies to look outwardly for development strategies. According to Fischer et al (1998) in Adigwe et al (2015) there has been a significant improvement in the economic operations of African countries since mid 1990 due to change in the economic framework of states. UNCTAD (2004) reported that for about three decades, participation of Africa in the world economy has been on decrease. The report showed that Africa's share of world exports dropped from 5.9% in 1980 to 2.3% in 2003 and imports declined from 4.6% to 2.2% from 1980 – 2003. Before now, FDI was not generally accepted by most African leaders as an important feature of economic development because of the believe that it may lead to loss political sovereignty, make home companies to be bankrupt because of fierce competition from foreign firms and fear of environmental degradation/pollution (Adigwe et al 2015). According to UNCTAD (2003) world inflow of FDI moved from USD59 billion in 1982 to USD1,491 billion in 2000. Averagely FDI inflows increased from 23.1% within 1986-1990 to 40.2% within 1996-2000. Also FDI outflows moved to 35.7% from 25.7%

Challenges of FDI in Africa

Moss et al (2004) inferred that African skepticism towards FDI is geared towards history, ideology and politics of the post-independence period. It was also deduced that the attitude/concerns of Africans is largely that policymakers were not convinced that the potentials or benefits of FDI could be fully realized in Africa and it is clear that the sector in which a country gets FDI affects the extent to which it could realize its potential benefits. It is worthy to note that most countries in Africa are now interested in bring in FDI, though their reasons differs but could be tied to entrepreneurship, access to foreign markets, efficient managerial techniques, technological transfers and innovation and employment creation. Policies have been designed and implemented in African countries so as to attract FDI but the benefits of FDI depends on capabilities of workers, firm size and level of competitiveness of domestic industries. In Nigeria some of the challenges in attracting FDI are insufficient infrastructure, epileptic power supply, bad road etc.

FDI flows has had decline since 1991, indicating slowdown in global economic activity which could be attributed to stock markets performance. According to Dupasquier and Osakwe (2005), in 2001 FDI flows reduced significantly indicating drop in world economic activity and poor performance of stock markets. FDI inflows and outflows each reduced by 41%. Furthermore in 2002, world FDI inflows reduced by 21% and outflows reduced by 9%. The reason for decline could be attributed to lower than expected recovery in world economy, winding down of commercialization in many countries, side effects of auditing and accounting scandals in most advanced countries stock markets. Even in 2003, FDI inflows dropped 18% while out rose by 3%. Other challenges that FDI has is that it requires long term commitment to the destination country, attracts very high costs in short run and this make it difficult for the investors to recover their initial outlay if there is a sudden change in risk attached to the environment.

Therefore the risk of irreversibility of FDI made it highly sensitive to uncertainty about the investment environment. FDI investors see Africa and Nigeria especially as high risk investment region. Also the economic and political risk affects each other due to dependency of African economies to each other and integration of the world economy, this actually affects the investors assessment of risk in individual countries and this is because information available to investors are imperfect. They generalize information from one country to another and this makes it difficult for them to increase their investments in the countries that have improved in their political stability. According to Ekpo (1995) political regime, real income per capita, inflation rate, world interest rate, credit rating and debt services were among the factor that militated against the inflow of FDI in Nigeria.

FORMS OF FOREIGN DIRECT INVESTMENT

9. **Acquisition and Merger:** According to Hills (2011) FDI can take the form of acquisition where the foreign investors will go into a foreign country and acquire a certain percentage of an existing firm's share. According to Hills 40 – 80% of inflows of FDI per annum between 1998 – 2008 were in the form of merger with local firms, It is further observed that flow of FDI into a country differ from developed and developing countries. Hills observed that only 1/3 of FDI in developing nations are in the form of cross border merger/acquisition. This is simply because there are fewer target firms to acquire in developing countries. It is observed that merger/acquisition are quicker to execute. They make efficient use of the acquired company and transfer technology.
10. **Greenfield:** The greenfield type of FDI is a situation where a foreign investor/firm invest in a new facility in a foreign nation. This means that the investor will form the business from the scratch. The greenfield give the investor opportunity of building the kind of firm he want to have e.g organizational culture, operating routine etc. However, greenfield ventures are slower to establish and risky because in any new business, there is high degree of uncertainty regarding revenue and profit. Furthermore, other competitors who enter the market via merger/acquisition may limit market potentials of the greenfield before its establishment.

SOURCES OF FOREIGN DIRECT INVESTMENT

According to Hills (2011:248), USA has been a major source of FDI in the world since the World War II. Other countries that constitute major sources of FDI are UK, France, Germany, Netherlands and Japan. These countries have largest number of multi-nationals and this largely because they are the most developed nations with largest economies after the war.

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Empirical Studies

FDI and Nigeria Economic Growth: According to Okon, Augustine and Chukwu (2012) there is link between FDI and economic growth in Nigeria. Also Oseghale and Amonkhienan (1987) concluded that FDI has positive effect on GDP and further submit that more FDI inflow will give better economic performance for a nation. Odozi (1995) in Okon et al (2012) agreed that prior to Structural Adjustment Programme (SAP) macro policies were discouraging investors and this led to growth of parallel market and capital flight while post SAP policies were more encouraging. However, Adelegan (2000) used the Seemingly Unrelated Regression model (SUR) to check the effect of FDI on Nigeria economic growth and discovered that FDI pro-consumption, pro-import and negatively related to gross domestic investment. Ariyo (1998) in his studies found that private domestic investment contributed to raising GDP rates during the period considered (1970-1995) however there was no reliable evidence that investment variable in his analysis have influence on the economic growth. In a study by Anyanwu (1998) with emphasis on determinants of FDI inflow to Nigeria, he found out that change in domestic investment, change in domestic output or market size, indigenization policy and change in openness of the economy are main determinants of FDI inflows to Nigeria and he suggested that effort must be made to increase Nigeria's economic growth to attract more FDI.

Theory of FDI in Developing Country

Developing Country Foreign Investment: FDI and international capital flows are regarded as closing the savings gap in the developing countries (Chenery and Bruno 1962). It is expected that capital would flow from rich countries to capital poor countries because scarce capital in poor countries leads profitable investment opportunities (Heckscher-Ohlin approach to trade by Mundell – 1957). FDI represent control of production and flow of capital and influenced by other factors (Kabiru 2012). Technology and firm-specifics are assets available to FDI. Firm specifics include brand names acquired through advertising knowledge acquired through research and development (R&D).

Helpman (1984) integrated vertical multinationals and Markusen (1984) integrated horizontal multinationals into the trade theory. Vertical multinational separate production geographically into different plants while horizontal multinational are multi-plant companies selling similar products in different locations. But Markusen (1997) brought a unified approach to vertical and horizontal multinationals. He said that horizontal multinational Enterprises (MNEs) exist if countries are similar in size and relative endowments and transport cost is high. While vertical MNEs are those with headquarters in a place where skilled labour are in abundance and the transport cost is also high. National firms only succeed if trade costs are small and market is big, it therefore makes sense to incur cost of setting up one plant from where to export. According Dunning (1993) in Kabiru (2012) the FDI would do well through Ownership-Location-Internalization (OLI) framework. The multinationals must have the firms specific assets that makes them different from local firms to succeed. These are ownership (O) advantage, internalization (I) advantage to internalize business jobs not to outsource and location (L) advantage.

According to Olokoyo (2012) African countries would like to attract FDI. Though the reasons for the attraction may differ but may generally be to overcome scarcities of resources e.g capital, entrepreneurship; access to foreign markets; efficient managerial techniques; technological transfer and innovation; and employment creation. In attempts to bring FDI, African countries developed and implement policies; build institutions; and sign investment agreements. However, the benefits of FDI to African countries are difficult to assess but may vary from sector to sector depending on the capabilities of workers, firm size, and the level of competitiveness of domestic industries.

Theories of Foreign Direct Investment

FDI – WHY: There are sources available for business ventures to much profit/sales in foreign country than passing through the stress of establishing/acquiring a firm abroad, such as exporting and licensing but then still prefer to go all through the stress. According to Hills theory, it is because of limitations of exporting.

Therefore the limitations of exporting among others include; transportation costs and trade barriers. It is true that when cost of transport is high, it makes profitability of the product to reduce because cost of transport is added to cost of production and this mostly affects products that are heavy and difficult to export.

Also firms undertake FDI as response to trade barriers such as import duties or quota system in the country of domicile. Heavy import duties may make business in such countries unattractive and reduction/limiting of imports by quota system may make things difficult. Therefore, it is preferable to establish the business in those countries direct and enjoy the terms enjoyed by local firms. Therefore FDI becomes more attractive when firms find out that transport, quotas and other barriers to trade do no favour import, FDI becomes an alternative.

Patterns of FDI

Strategic Behaviour: This theory was propounded by F T Knickerbocker. It has to deal with oligopolistic industry (mostly where few firms control a certain market), so any attempt by any firm to venture in FDI and competitors may follow suit for fear of losing their share of market to that firm that undertook FDI. He argued that same kind of initiative behavior characterized FDI. Knickerbocker theory can be likened to multi point competition which arises when two or more firms encounter each other in different regional market (Hills 2011)

The theory of economic suggests that firms will match each other's move in different markets to try to hold each other in check. This is to ensure that a rival do not achieve a commanding position and use the profit made there to subsidize competition attacks in other markets.

Product Life Cycle Theory: This theory was developed by Raymond Vermon in the mid 1960s and it was based on the observation that large proportion of the world's new products had been developed by US firms and sold first in US market.

Theories of Investment

Keynesian theory of investment

According to Olusanya (2013) "investment refers to real investment which adds to capital equipment". Investment helps to increase the income and production in an organization through purchase of capital. It therefore includes new plants and equipment, constructions, building etc. This means that investment is made in addition to what is already in existence which may probably lead to more profits if properly handled. Investment helps

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business to grow. John Robinson in Olusanya (2013) inferred that, "By investment, is meant an addition to capital, such as addition to capital, such occurs when a new house is being built or a new factory is built. Investment means making an addition to the stock of goods in existence."

Types of Investment

Induced Investment: This kind of investment is propelled/motivated by either profit or income and this is influenced by prices, wages and interest changes. Induced investment can also be influenced by demand because if income increases, consumption demand will also increase. Therefore investment must increase to meet demand/requirements.

Autonomous Investment: Olusanya (2013) inferred that this kind of "investment is independent of the level of income and is thus income inelastic". Autonomous investment is prejudiced by innovations, inventions, growth of population and labour force, e.t.c. However a change in demand does not affect it rather it affects the demand".

According to Olusanya "changes in interest rates should have an effect on the level of planned investment undertaken by private Sector businesses in the economy.

However, a fall in interest rates should decrease cost of investment relative to the potential yield and as a result planned capital investment projects on the margin may become worthwhile. There is inverse relationship between investment and rate of interest".

Acceleration Theories of Investment

Acceleration principle means that demand for capital goods is a function of demand for consumer goods which the former helps to produce. The acceleration principle explains the process by which an increase or decrease in the demand for consumption goods leads to an increase or decrease in investment on capital goods.

Theories of Growth

Harrod-Domar Theory of Growth: Harrod and Domar in Olusanya (2013) inferred that investment has a key role to play in the process of economic growth and more emphasis was laid on the dual character of investment. One, it creates incomes, and two, it adds to the productive ability of the economy by increasing the capital stock. According to him the former may be taken as the "demand effect" and the later as "supply effect" of investment. Therefore since the net investment has taking place, actual income and output will continue to expand.

Though it is believed that to keep full employment equilibrium level of income from time (year) to time (year), actual income and output should expand at the same rate productive capacity of the capital stock is expanding otherwise, any difference between the two will cause excess or idle capacity, therefore making entrepreneurs to reduce investment expenditures. This will negatively affect the economy by reducing incomes and employment in other periods and taking the economy off from steady growth.

The New Growth Theory

This was a theory propounded in the 1980's in other to accommodate criticisms of neoclassical growth model. Implication of the growth theory was that policies that accept openness, competition, change and innovation promotes growth. In other words policies that restrict or slow change as a result of favouring a particular industry or firm may slow growth to the disadvantage of the area (Olusanya 2013).

METHODOLOGY

In this section, the researcher specified the processes of data collection. It also dealt with research design, data collection techniques, population and sample size determination, description of research instrument, data analysis techniques, validity and reliability of instrument.

Research Design

This has to do with frame work with which information/data for the research were collected, the sources of data and the collection procedure. The design used for this study was survey research design.

Furthermore, data for this research was generated from both primary and secondary sources;

Primary Data: Primary data is the original or first-hand information obtained by the researcher from respondents directly for the purpose of the study. To generate this data, the researcher employed the use of questionnaire and interview. The interview section was just to elicit/clarify the researcher in some information in his disposal.

Secondary Data: Secondary data are facts that the researcher collected from already existing literature in the field of study. In this study, the secondary data were collected from internet, journals, text books, newspaper and unpublished research works.

Population and Sample Size.

The population of the study was both senior and junior staff of the four (4) selected organizations.

Information gathered from the Human Resource Department of the organizations visited, indicated that total number of employees in those organisations were as shown on the table below:

S/NO	BANK	NO. OF EMPLOYEES
1	Stanbic IBTC (Okigwe Road Branch)	120
2	Julius Berger (Uyo branch)	1,020
3	MTN Owerri	55
4	Chartered Bank (Aba Owerri Road) Aba	40
	TOTAL	**1,235**

Source: Field Survey 2017

Among the various methods used in determining sample size, the researcher adopted proportionality formulae.

For the purpose of this study, the actual population is 1,235 employees of Stanbic IBTC Bank, Julius Berger PLC (Uyo), MTN Owerri and Chartered Bank - Aba.

The researcher opted for Yamen's statistical technique to determine the sample size.

The sample size was determined using Yamen's formulae; thus;

$$n = \frac{N}{1 + N(e)^2}$$

Where; n = sample size

N = Actual population

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1 = Constant

e = Level of significance/or limit of tolerable error 0.05 or 5%)

$n = \frac{1,235}{1+1,235(0.05)^2} = 302$

The sample size for each organisation to be sampled is derived using Bowley's proportional allocation statistical technique.

$nh = \frac{nNh}{N}$

Where

nh = The No. of staff in each branch office investigated

Nh = The No. of staff in each branch

n = The total sample size

N = The actual or total population

Stanbic IBTC Bank $n = \frac{302 \times 120}{1,235} = 29$

Julius Berger $n = \frac{302 \times 1,020}{1,235} = 249$

MTN $n = \frac{302 \times 55}{1,235} = 14$

Chartered Bank $n = \frac{302 \times 40}{1,235} = 10$

TOTAL = 302

Description of Research Instrument

The researcher employed two major methods in collecting data for this research, they were:

Questionnaire: This is a method of designing questions to be given to selected sample size aimed at obtaining answers useful to solve problems at hand. A questionnaire was formulated considering the research questions. The questionnaire was made of 17 questions, divided into sections A and B. Section A questions were general information on the respondents while the remaining questions on section B were meant to address the research problems. The questions in section B were designed in a five point Likert Scale. 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree.

Interview: This method of data collection was derived from talk or conversation (face to face, telephone etc) between the interviewer and interviewee. Interview gave on the spot response from the respondents. It provided complimentary data to the questionnaire. The researcher applied face-to-face discussions and it helped to elicit information.

Validity of Instrument

Validity of instrument deals with the extent to which the scale measured what is supposed to measure. Also, it could be seen as the extent to which the survey model acts as an accurate predictor. A proper structuring of the questionnaire and a conduct of a pre-test of every question contained in the questionnaire was carried out to ensure they are valid. Furthermore, questions were made in a simple and easy to understand manner so as to enable the respondents provide relevant information. The coordinator ensured that the questionnaire has content validity by meticulous proof reading and correcting the questionnaire.

Reliability of Instrument

Reliability can be defined as the degree to which respondents responses were consistent, accurate, reliable and also predictable (Carriger, 2000).

To test for reliability of the instrument, a test re-test method was adopted in which 20 copies of the questionnaire was distributed to the organisations under study (five copies) for each organisation. After some days, the instrument was collected and re-administered for the second time. The questionnaire distributed were completed and returned using the Spearman's Rank order correlation coefficient to test the reliability which was found to be high, r=0.98 showing that there is consistency in the items of the survey.

PRESENTATION AND ANALYSIS OF DATA

At this juncture, the necessary data collected for this work were presented and analysed adequately. The data were presented using simple percentage in tabular format

Simple percentage (%) distribution formulae:

r x 100
n

r = number of variable responses

n = total number of responses to a particular question

Data Presentation

The researcher distributed 302 copies of the questionnaires to respondents in the selected organizations as follows;

Stanbic IBTC	29
Julius Berger	249
MTN	14
Chartered Bank	10

From the questionnaires distributed as indicated above, two hundred and eighty (280) representing 93% of the respondents returned their questionnaire while twenty two (22) representing 7% of the respondents did not return their questionnaire. This indicates that the response rate was high.

Questionnaire Distribution

Number sent out = 302 = a
Number returned = 280 = b
Number not returned = 22 = c

Response rate $\frac{b}{a} = \frac{\text{No. returned}}{\text{No.} sentout} \times 100$

93%

Non response rate $\frac{b}{a} = \frac{\text{No. not returned}}{\text{No.} sentout} \times 100$

$= \frac{22}{302} \times 100$

7%

Total response rate $\frac{b+c}{b} x100 = \frac{302+22}{302} \times 100$

100%

Table 1: Effects of Foreign Direct Investment in a Recessed Economy

S/N	QUESTION	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total
1	Foreign direct investment has a positive effect on the stock market of a recessed	189 (68)	70 (25)	0 (0)	8 (3)	13 (4)	280

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	economy						
2	Foreign direct investment increase the gross domestic product (GDP) of a nation	167 (63)	87 (17)	1 (1)	15 (17)	10 (2)	280
3	Foreign direct investment has a multiple effect on the economy development of a nation such as job creation, etc	156 (55)	78 (28)	2 (1)	37 (13)	7 (3)	280

Source: Field Survey 2017

Table 1 above indicated that 259 (93%) of respondents agreed that FDI has a positive effect on the stock market of a recessed economy and 21 (7%) of the respondents disagreed with the assertion. It also showed that 254 (80%) of respondents agreed that FDI increase the gross domestic product of a nation and 25 (19%) disagreed while 1(1%) was undecided with the statement. Also, 238 (83%) of respondents agreed that foreign direct investment has a multiple effect of the economic development of a nation such as job creation, etc and 44 (16%) disagreed while 2 (1%) of respondents was undecided with the assertion.

Table 2: The Extent FDI Has Assisted Nations in Recovering from Recession

S / N	QUESTION	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total
1	FDI leads to quick recovery of a nation's economy from recession	179 (64)	87 (31)	0 (0)	10 (4)	4 (1)	280
2	FDI helps in closing the gap between booming economy and recessed economy	136 (49)	56 (20)	5 (2)	40 (14)	43 (15)	280
3	No country can exist without the activities of FDI and have a booming economy	126 (45)	55 (20)	2 (1)	54 (19)	43 (15)	280

Source: Field Survey 2017

Table 2 indicated that 266 (95%) respondents agreed that FDI leads to quick recovery of a nation's economy from recession while 14 (5%) disagreed with the statement. And 192 (69%) were of the opinion that FDI helps in closing the gap between booming economy and recessed economy and 83 (29%) disagreed while 5 (2%) were undecided. Furthermore, 181 (65%) respondents agreed that most countries cannot exist without the activities of FDI and have a booming economy while 97 (34%) of respondents disagreed and 2 (1%) were neutral.

Table 3: How Capital Market Affect the Operations of Foreign Investors

S / N	QUESTION	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total
1	High exchange rate discourages foreign investors into a country	30 (11)	38 (13)	10 (4)	58 (21)	144 (51)	280
2	High cost of doing business in a country may discourage investors in the country	181 (64)	64 (23)	0 (0)	25 (9)	10 (4)	280
3	The external reserve of a country encourages foreign investors	156 (55)	78 (28)	2 (1)	37 (13)	7 (3)	280

Source: Field Survey 2017

Table 3 showed that 68 (24%) of respondents agreed that high exchange rate discourages foreign investors into a country while 202 (72%) disagreed and 10 (4%) were undecided. It also showed that 245 (87%) of respondents agreed that high cost of doing business in a country may discourage investors in the country while 35 (13%) disagreed. Furthermore, 234 (83%) of respondents agreed that external reserve of a country encourages foreign investors and 44 (16%) disagreed, while 2 (1) were undecided with the assertion.

Table 4: How Government Policies Affect the Activities of Foreign Investors

S / N	QUESTION	SA (%)	A (%)	N (%)	D (%)	SD (%)	Total
1	Trade restriction between nations reduce foreign direct investment in a country	195 (70)	47 (17)	0 (0)	37 (13)	1 (0)	280
2	Provision of necessary amenities/infra structure to a great extent	181 (64)	64 (23)	0 (0)	25 (9)	10 (4)	280

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	encourages foreign direct investment						
3.	Tax holidays extended to FDI may encourage foreign investors in a recessed economy	156 (55)	78 (28)	2 (1)	37 (13)	7 (3)	280

Source: Field Survey 2017

Table 4 indicated that 242 (87%) of respondents agreed that trade restriction between nations reduce foreign direct investment in a country and 38 (13%) disagreed. Also 245 (87%) agreed that provision of necessary amenities/infrastructure to a great extent encourages foreign investment while 35 (13%) disagreed. Furthermore, 234 (83%) respondents agreed that tax holidays extended to FDIs may encourage foreign investors in a recessed economy, 44 (16%) of respondents disagreed and 2 (1%) were undecided over the assertion.

Discussion of Findings

It was discovered that FDI positively affect the gross domestic product (GDP) of a country and this is in agreement with Ariyo (1998) who found out that private FDI contributed positively to the GDP of an economy. FDI has assisted recessed economies from recovering from their recession as it is evidenced in the responses of the respondent. And this is in tandem with Chenery and Bruno (1962) which stated that FDI and international capital flows are regarded as closing the savings gap in the developing countries and Mundell (1957) inferred that capital would flow from rich countries to capital poor countries because of scarce capital in poor countries and this leads to profitable investment opportunities.

The researcher found out that the inability of the government to provide adequate environment and improvement in infrastructural development could adversely affect the rate of FDI inflow in such economy. Also tax policies could negatively affect FDI operations in such economy. This is in consonant with Moss et al (2012) who found that some challenges most businesses in Nigeria are facing which affects inflow of FDI are insufficient infrastructure, epileptic power supply, bad roads etc.

FINDINGS, CONCLUSION AND RECOMMENDATION

Findings

The researcher made the following findings:

1. FDI has a positive effect on the stock market of a recessed economy. Also FDI increases the gross domestic product (GDP) of a nation
2. FDI has a multiple effect on economic development of a nation such as job creation, increase in government revenue etc
3. That FDI helps in quick recovery of a nation's economy from recession.
4. It helps in closing the gap between booming economies and recessed economies and many countries cannot exist without the activities of FDI
5. High exchange rate in a country may adversely affect the inflow of FDI in such country and high cost of doing business in a country may also affect the interest of foreign investors in investing in that country.
6. Foreign investors have more confidence in countries that have sound foreign reserve.
7. Trade restriction between nations may reduce FDI in a country while provision of necessary infrastructures could motivate foreign investors to invest in an economy.
8. Foreign investors would want to invest in economies that will grant them tax holidays especially within the initial investment period.

Conclusion

This research was on the impact of foreign direct investment in recessed economy using some selected firms in Nigeria. Nigeria at the time of this research was passing through recession and the study tried to investigate how FDIs in the country could contribute to recovery of the economy. It was revealed that FDI is a veritable tool that any recessed economy could use to recover from its recession and there are some factors that could affect the inflow of FDI in a given country.

Recommendation

The study recommends the following:

1. Government should grant tax relief to FDIs so as to encourage them.
2. Adequate provision of infrastructural facilities to facilitate business operation.
3. The political and economic environment should be stable to enable business to make their projections/planning.

APENDIX

QUESTIONNAIRE

SECTION A: BIO DATA

1. Sex: Male ☐ Female ☐
2. Age: 10 – 20 ☐ 21 – 30 ☐ 31 – 40 ☐ 41 – 50 ☐ 51 and above ☐
3. Category you belong in your organization: Management Senior ☐ Junior ☐
4. Highest qualification: WAEC ☐ OND ☐ 1st Degree ☐ Master's Degree ☐ Doctoral Degree ☐ Professional Qualification ☐
5. Do you work in foreign direct investment (FDI) organization? Yes ☐ No ☐

SECTION B:

S/NO	QUESTION	SA	A	N	D	SD
	Effects of Foreign Direct Investment in a Recessed Economy					
1	Foreign direct investment has a positive effect on the stock market of a recessed economy					
2	Foreign direct investment increase the gross domestic product (GDP) of a nation					
3	Foreign direct investment has a multiple effect on the economy such as job creation, etc					

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	The Extent FDI Has Assisted Nations in Recovering from Recession					
4	FDI leads to quick recovery of a nation's economy from recession					
5	FDI helps in closing the gap between booming economy and recessed economy					
	No country can exist without the activities of FDI and have a booming economy					
	How Capital Market Affect the Operations of Foreign Investors					
6	High exchange rate discourages foreign investors into a country					
8	High cost of doing business in a country may discourage investors in the country					
9	The external reserve of a country encourages foreign investors					
	How Government Policies Affect the Activities of Foreign Investors					
10	Trade restriction between nations reduce foreign direct investment in a country					
11	Provision of necessary amenities/infrastructure to a great extent encourages foreign direct investment					
12	Tax holidays extended to FDI may encourage foreign investors in a recessed economy					

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