Journal of Resources Development and Management
ISSN 2422-8397 An International Peer-reviewed Journal
Vol.51, 2018

An Empirical Investigation of Foreign Direct Investment, Export, Import and Government Revenue Generation in Nigeria (1981-2017)

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Abstract

This study empirically investigated government revenue implications of foreign direct investment, export, import and exchange rate in Nigeria over the period 1981 and 2017 using secondary data sourced from Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics. Augumented Dickey Fuller (ADF) unit root test, Phillips-Perron (PP) unit root test, Johansen Co-integration test and Ordinary Least Square (OLS) of multiple regression models were employed to establish the nexus between endogenous and exogenous variables. Empirical findings revealed a positively and significantly relationship between export (EXPT) and government revenue generation (GREV). A one percent change in export (EXPT) would lead to 73.24 percent change in government revenue generation which is in conformity to apriori theoretical expectation. The findings also revealed that foreign direct investment (FDI), import (IMPT) and exchange rate (EXGR) have inverse relationship with government revenue generation (GREV). A one percent change in FDI, IMPT and EXGR will cause -0.611434, -0.009879 and -0.493292 percent reductions in government revenue generation respectively. Based on the findings, government at all levels should provide enabling environment in terms of massive investment in critical infrastructure, adequate and efficient security system, political stability and favorable fiscal policy to attract new foreign investors and prevent existing ones from further relocation to neighboring countries. Also, exportation of finished products rather than primary products should be the focus of both public and private enterprises for sustained increase in government revenue generation. In addition, preference should be given to importation of capital goods rather than consumer goods by the government so as to produce more exportable products for revenue acceleration. Finally, establishment of a stable exchange rate regime by the government is germane to the attraction of enormous foreign direct investment.

Keywords: Government Revenue, Foreign Direct Investment, Export, Import, Exchange Rate, Unit root test, Johansen Co-integration, Ordinary Least Square, Nigeria

Introduction

Most developed and developing economies of the world are making their economic environments attractive to foreign direct investment due to the numerous benefits derivable from it such as employment generation, increased productivity, technological transfer, knowledge transfer, income generation, managerial skills, marketing expertise, capital transfer, development of human and natural resources, improved standard of living and others. Foreign direct investment can be defined as a direct investment into production or business activities 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. FDI is an investment in real assets where real assets consist of physical things such as factories, land, capital goods, infrastructure and inventories. There are numerous factors influencing foreign direct investment which include inflation, exchange rate, uncertainty, credibility, government expenditures, institutional and political factors, return on investment in the rest of the world, domestic interest rate, debt service, per capita income ratio of world oil prices to world price of industrial countries manufactured goods and credit rating. The multinational corporations is the most important source of foreign direct investment. This may come in both joint ventures as well as fully owned subsidiaries. On the other

hand, foreign portfolio investment consists of the acquisition of assets by a foreign national or company in a domestic stock market. In other words, it refers to the holding of transferrable securities (issued or guaranteed by the government of the importing country), equity shares; debentures, bonds, promissory notes and money market instruments issued in a domestic market by the nationals of some other countries. The money market instruments include treasury bills, commercial papers, bankers' acceptances and negotiable certificate of deposits.

Nigeria, the most populous country in Africa, is regarded by most foreign countries as an attractive investment-destination economy. Over the years, the country had attracted and is still attracting foreign direct investment inflows from both developed and developing countries of the world. According to Central Bank of Nigeria Statistical Bulletins (2017), FDI figure stood at #0.34 billion in 1981. The figure rose to #0.43 billion in 1985. FDI figures were #4.69 billion and #75.90 billion in 1990 and 1995 respectively. The figure skyrocketed to #116.00 billion in 2000. In 2005 and 2010, the figures were #654.20 billion and #905.70 billion. In 2015, the figure amounted to #602.10 billion whereas it was #1069.40 billion in 2017. The aforementioned scenario clearly underscores the fact that foreign direct investment has been on the increase over the years.

As a result of liberalization and globalization, Nigeria's economy has become much more closely associated with external factors such as openness. Countries of the world trade with one another in goods and services due to the concept of differentials in the natural resources, human capital, financial capital, climate and technical capabilities endowment. The involvement of Nigeria in international trade stems from the fact that she cannot produce all goods and services require by her citizens for consumption largely owing to resources differences and constraints. This explains why the country has been engaging in exportation of goods and services to foreign trading partners in order to generate revenue to finance imported goods and services which cannot be produced domestically and to provide infrastructural facilities capable of improving her citizens' standard of living. According to Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics (2017), the figures for export and import were #11 billion and #12.8 billion in 1981. These figures stood at #11.7 billion and #7.1 billion in 1985. Export and import figures rose astronomically to #109.9 billion and #45.7 billion in 1990. In 1995, export figure was #950.7 billion while that of import stood at #755.1 billion. In 2000, export and import figures increased to #1945.7 billion and #985 billion respectively. In 2005, export figure was #7246.5 billion whereas import figure amounted to #2800.9 billion. Export and import figures skyrocketed to #12011.5 billion and #8146.0 billion in 2010 respectively. In 2015, export figure rose to #8845.2 billion while import figure stood at #11076.1 billion. These figures were #13988.1 billion and #10804.8 billion in 2017. It should be mentioned or acknowledged that various studies have been conducted on the impact of foreign direct investment, export and import on economic growth in Nigeria. But the effects of these exogenous or explanatory variables on government revenue generation are yet to be ascertained. It is against this background that this study considers it worthwhile to empirically examine the contributions of foreign direct investment, export and import to government revenue generation in Nigeria.

Objectives of the Study

The overall objective of the study is to empirically investigate the impact of foreign trade and foreign direct investment on government revenue generation in Nigeria over the period 1981 and 2017. The specific objectives are to :

-Examine the nexus between exportation of goods and services to foreign countries and federally generated revenue in Nigeria.

-Investigate the relationship between importation of goods and services from foreign countries and government revenue generation in Nigeria.

-Analyze the impact of foreign direct investment on federally generated revenue in Nigeria.

Study Hypotheses

The hypotheses to be verified by this study are stated below:
1. H_0 : Foreign direct investment, export and import have no significant positive relationships with government revenue generation in Nigeria.
H_1 : Foreign direct investment, export and import have significant positive relationships with government revenue generation in Nigeria.

Research Questions

The research questions to be answered by this study are stated below:
1. Does exportation of goods and services to foreign countries by Nigeria over the years contribute positively or negatively to her revenue generation?
2. What impact does importation of goods and services has on government revenue generation ability in Nigeria?
3. What nexus or correlation exists between foreign direct investment and government revenue generation in Nigeria?

Empirical Literature Review

Several empirical studies have been conducted in advanced and developing countries on the contributions of foreign direct investment, export and import to economic growth. It should be mentioned that empirical studies on the nexus between foreign direct investment, export, import and government revenue generation are scanty. Aqsa, Sidra & Phool (2018) investigated empirically the impact of foreign direct investment, import and export on the economic growth of Pakistan. The relationships among foreign direct investment (FDI), export (EXPO) and import (IMP) with economic growth is measured through multiple regression model. E-views software was used to analyze the annual time series data from 1990 to 2015. Findings revealed that there is a negative and insignificant association between foreign direct investment (FDI) and GDP while there is significant and positive relationship found among export (EXPO) and import. Wajid and Zhang (2017) examined the contribution of FDI inflows to economic growth of Pakistan. Time series data was used for the study covering the period 1990 to 2015. The authors employed unit root test, Johansen co-integration test and vector error correction model for the analysis of the data. Empirical findings revealed that there is a significant positive effect of FDI inflows on economic growth of Pakistan. Najabat and Hamid (2017) analyzed the impact of FDI on economic growth of Pakistan over the period 1991 to 2015. Time series data was used for the study. Correlation and multiple regression techniques were employed for the analysis of the data. Empirical findings revealed that FDI has a positive impact on the economic growth of Pakistan. The paper recommended that government should embark on reformation of the domestic market to attract more FDI inflows into Pakistan. Esther and Kamtochukwu (2017) examined the impact of international trade on economic growth in Nigeria over the period 1985 to 2015. Unit root test, Johansen cointegration test and Vector error correction model were used to analyze the data. The result showed that there is a long run relationship between international trade and economic growth. Chen and Chen (2016) examined the impact of FDI on urban-rural income inequality in China using secondary time series data. Panel data and fixed effects instrumental variable regression technique were employed to analyze the dependent variable and exogenous variables. The results showed that FDI has directly contributed to reducing urban-rural income inequality through employment creation, knowledge spillovers and contribution to economic growth. FDI has also contributed to increasing urban-rural income inequality through international trade.

Rehman (2016) analyzed the relationship between FDI and economic growth for Pakistan over the period 1970 and 2012. Vector error correction model was used to estimate the variables. Empirical findings revealed that FDI, human capital and exports are important factors of economic growth of Pakistan. However, the negative relationships among FDI, human capital and economic growth indicates that low level of human capital affects the economic growth of Pakistan. Malik (2015) investigated the impact of FDI on economic growth of Pakistan applying co-integration test and ordinary least square regression technique on secondary data from 2008 to 2013. He found that foreign direct investment and trade openness are positively connected with economic growth of Pakistan. Malik and Imran (2015) empirically investigated the impact of FDI and trade openness on

economic growth of Pakistan. The study utilized time series data from 2008 to 2013. The methods employed are co-integration analysis, regression analysis, correlation and Durbin Watson test. The findings suggest that FDI, trade openness and domestic capital are positively associated with the economic growth of Pakistan. Afzalur (2015) examined empirically the impact of foreign direct investment on economic growth of Bangladesh using time series data covering the period 1999 to 2013. Multiple regression analyses were used to measure the relationship between independent (FDI) and dependent variables (macroeconomic indicators). Empirical findings revealed that there is a negative relationship between FDI and economic growth in Bangladesh.

Adeleke, Olowe and Fasesin (2014) examined the impact of foreign direct investment on Nigeria economic growth over the period of 1999 to 2013. The study employed regression analysis of the ordinary least square (OLS) to analyze the time series data obtained from the various publications of Central Bank of Nigeria Statistical Bulletin and Annual Reports and Statement of Accounts. Empirical findings revealed that economic growth is directly related to inflow of foreign direct investment. The study recommended that government should liberalize the foreign sector in Nigeria for the removal of all barriers to trade. Arodoye and Iyoha (2014) studied the nexus between international trade and economic growth in Nigeria making use f quarterly time series data from the period 1981 to 2010. The results indicated that there is a stable long-run relationship between international trade and economic growth and they concluded that trade policies which are in favor of export expansion should be encouraged because exports are a driver of economic growth. Furthermore, an exchange rate policy which is favorable to export expansion with Nigeria's status as a small open economy should encouraged. Zhang et al. (2014) investigated the effect of FDI on GDP development in Sub-Saharan Africa (SSA), with specific accentuation on Chinese FDI for the period 2003 to 2010, utilizing dynamic GMM board estimation strategies. The paper finds that neither FDI net inflows into SSA nor Chinese FDI significantly affected financial development in SSA. Younus et al. (2014) investigated the study in the context of Pakistan and found that foreign direct investment positively correlated with the economic growth of Pakistan and also found that foreign direct investment is a best source for increasing the domestic investment and export of the country. The researcher used secondary data from 2000 to 2010 for analysis and the technique applied on these data was simultaneous equation method.

Cambazoglu et al. (2014) examined the study and found that foreign direct investment has positive influence on economic growth of Turkey both inward foreign direct investment and outward foreign direct investment. The researcher used time series data from 1980 to 2010 and applied auto regression model technique on this data and found that import and export also positively connected with the economic growth of Turkey. Ahmed et al. (2014) conducted a study on FDI, export, import of goods and services and economic growth of Pakistan and found that all these variables play very important role in the economic growth of Pakistan and also found that these three variables have significant relation with GDP of Pakistan. Augumented Dickey Fuller test, granger causality test, descriptive statistics and co-integration test were applied on the secondary data. Mongoe and Mongale (2014) examined the relationship between foreign trade and economic growth in South Africa using co-integrated vector auto regression approach. The empirical investigation revealed that inflation rate, export and exchange rate have a positive relation to GDP while import is negatively related to GDP. Malik (2014) investigated the impact of FDI on economic growth of Pakistan applying co-integration test and ordinary least square regression technique on secondary data from 2008 to 2013. He found that foreign direct investment and trade openness are positively connected with economic growth of Pakistan. Ramzan (2013) studied the impact of FDI on Pakistan economic growth applying Autoregressive distributed lag technique on secondary data from 1976 to 2010. The results showed that there is no long run relationship between GDP and exogenous variables in the model which are exports and FDI. He also found that foreign direct investment and export are not positively related to the economic growth of Pakistan. Enu et al. (2013) analyzed the impact of FDI on economic growth of Ghana using Johansen co-integration technique, granger causality test and error correction model. The results revealed that there is long term significant relationship between exports and GDP in Ghana. Achchuthan (2013) analyzed the affliction among macroeconomic determinants and economic growth in the context of Srilanka. Ordinary least square regression technique was used to analyze the secondary data for the study. Empirical findings revealed that exports and imports have strong positive relationship with economic growth of Srilanka.

Abughalia and Abusalem (2013) investigated the empirical analysis of the Libyan economy and its structural changes, with special reference to Libyan foreign trade during the last three decades (1980-2010). The analysis was conducted using descriptive analytical methods and statistical tools such as linear regression analysis. The study observed that the trade process between Libya and the EU has experienced some success, leading to more economic cooperation through bilateral relations, promoting the private sector to play its role in the trade process during the period of study. Solomon and Eka (2013) investigated the empirical relationship between foreign direct investment and economic growth in Nigeria. The study covered the period 1981-2009 using an annual data from Central Bank of Nigeria Statistical Bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The result of the OLS techniques indicated that FDI has a positive but insignificant impact on Nigerian economic growth. Adelowokan and Maku (2013) empirically examined the effect of trade and financial investment openness on economic growth in Nigeria between 1960 and 2011. Findings from the reported dynamic regression model showed that trade openness and foreign investment exert both positive and negative on economic growth of the country respectively. In addition, the partial adjustment term, fiscal deficit, inflation and lending rate were found growth increasing. It was then proved that there is long-run relationship between trade openness, foreign investment and economic growth in Nigeria. Olaifa, Subair and Biala (2013) empirically investigated the effect of trade liberalization on economic growth in Nigeria between 1970 and 2012 with a view to examining the possibility of a long term relationship existing between the two and also to account for the structural changes that may have occurred with the implementation of a free trade regime in 1986. Adopting the ordinary least square in estimating the relationship, they find that there is a long run relationship between trade liberalization and economic growth in Nigeria. Strong evidence was also found to support structural changes that took place in 1986 with the use of free trade policy. However, export was reported to have a negative relation to growth. Adenugba and Dipo (2013) examined the performance of non-oil exports in the economic growth of Nigeria from 1981 to 2010. Their estimates revealed that non-oil exports have performed below expectations, therefore, giving reason to doubt the efficacy of the export promotion strategies that have been used and since implemented. They rightly indicated that the Nigerian economy is still far from shifting crude oil exports and as such the crude oil sub-sector continues to be the single most important sector of the economy.

Edoumiekumo and Opukri (2013) empirically investigated the contributions of international trade (proxy with export and import values) to economic growth in Nigeria measured by real gross domestic product (RGDP). The time series data collected was for a period of 27years which was analyzed using Augumented Dickey Fuller (ADF) test, Ordinary Least Square (OLS) statistical technique, Johansen Co-integration test and Granger Causality test. The results showed that there is a positive relationship between the variables and also co-integration exists among the variables. The Granger Causality revealed a unidirectional relationship showing that RGDP granger cause export and also import granger cause RGDP and export. Saqib et al. (2013) conducted a study on the Pakistan's economic performance and reports that economic growth is negatively affected by foreign investment while domestic investment has a positive impact on economic growth. These findings support the dependency theory that FDI has a negative impact on the host's country economic growth. Omoju and Adesanmi (2012) examined the impact of trade on economic growth in Nigeria using data from 1980 to 2010. Ordinary least square estimating technique was used to analyze the data. The study showed that trade, exchange rate, government expenditure and foreign direct investment have a positive and significant impact on economic growth in Nigeria. Saibu (2012) studied the direct and interactive effects of capital inflow, trade openness and economic growth using data from Nigeria over the period 1960 to 2011. The study engaged composite indicators gotten from principal component analysis (PCA) in the Autoregressive Distributed Lag bound testing model. Empirical findings revealed that the effect of capital inflow on trade and economic growth was statistically significant. The study concluded that trade liberalization policies tend to enhance effectiveness of capital inflow and together they foster higher economic growth in Nigeria.

Nwosa (2012) studied the relative contribution of trade liberalization on trade tax revenue in Nigeria between 1970 and 2009 using a simplified regression estimate. Their estimates revealed that trade liberalization, labour force, gross domestic product and public debt impacted positively on trade tax revenue. While exchange rate had a negative effect. He concluded that there is the need for adequate macroeconomic policy to improve trade

liberalization in Nigeria. Ajayi and Atanda (2012) empirically examined the trade and capital flow channels of globalization on macroeconomic stability proxy by real output growth rate in Nigeria between 1970 and 2009. They utilized an autoregressive model which indicated that the first lag of real output growth rate has a significant positive effect on current real growth rate. Also, trade and capital flow dimensions were found to decline the macroeconomic stability level in Nigeria. Emeka, Ikpesu and Peter (2012) investigated the macroeconomic impact of trade on Nigeria economic growth over the period 1970 to 2008 using a combination of bi-variate and multivariate models. The empirical examination points out that exports and foreign direct investment inflows have positive and significant impact on economic growth in the Nigerian economy and that here should be a harmonization of export and fiscal policies towards a greater shift of non-oil exports by the Nigerian government in order to achieve a desirable growth prospects of external trade. Zaman, Shah, Mushtaq, Khan & Ahmad (2012) examined the macroeconomic determinants of foreign direct investment impact. The researchers utilized Johansen Co-integration test and error correction model to analyze the secondary data for the study. Empirical findings revealed that there is long run positive relationship between economic growth and foreign direct investment. The results also showed that foreign direct investment has negative impact on GDP.

Balaguer, Florica and Ripolles (2012) investigated the relationship between foreign trade and economic growth in Spain over the period 1990 and 2012 using results from Johansen's, Toda's and Yamamoto's methodologies. For the first six decades of the 20th century, a sub-period characterized by an inward oriented trade policy, they found that economic growth is somewhat independent of foreign trade. They also found that both exports and energy imports have been a direct cause of the economic growth observed since the sixties. Muhammad, Mohammad and Abdul (2012) examined the relationship between international trade, financial development and economic growth in Australia over the period of 1965 to 2010 using the ARDL bounds testing approach. Their empirical evidence confirmed the long run relationship among the variables. The results showed that international trade, financial development and capital are the drivers of economic growth both in the short run and long run. The feedback effect exists between international trade and economic growth. The results showed that the variables are co-integrated for long run relationship. Therefore, exports, imports and trade openness have a positive impact on economic growth in Australia. Arshad and Economics (2012) explored the impact of FDI on trade and economic growth of Pakistan over the period 1985 to 2005 using vector autoregressive technique for data analysis. The results showed that foreign direct investment is insignificantly connected with gross domestic products while imports and exports are directly connected with GDP. The researchers also found that FDI has no any influence on domestic investment in the long run. Muhammad (2012) examined the nexus between export, import and economic growth in China employing Phillips-Perron unit root test and autoregressive distributed lag technique. The researcher used panel data from 1978 to 2009 for the study. Empirical findings revealed that there is a significant positive relationship between export and economic growth whereas imports is negatively correlated with economic growth of China. Anwar and Haq (2012) found that public investment, private investment and foreign direct investment have significant and positive impact on the economic growth in Pakistan. In addition, the granger causality test indicates the bidirectional relationship of GDP growth with FDI and public investment and unidirectional relationship of GDP growth with private investment.

Srinivasan, Kalaivani, & Ibrahim (2011) examined the nexus between foreign direct investment and financial development in South Asian Association for Regional Cooperation (SAARC) nations for the years 1970 to 2007. Vector error correction model and granger causality test were used. Causality test demonstrated a long-run bidirectional causal connection amongst GDP and FDI for all the countries except India. Mustafa (2011) analyzed the relationship between foreign trade and economic growth in Turkey during the period 1987 to 2007, using VAR and VECM, and employed quarterly data of GDP, export and import. He found that in the short run, GDP growth did not significantly depend on the export growth. Rahmaddi and Ichihashi (2011)investigated the relationship between exports and economic growth in Indonesia during the period 1971 to 2008 using a VAR model. Based on the analysis conducted in a VECM framework, the authors found that exports and economic growth exhibit bi-directional causal structure, and concluded that both exports and economic growth are significant to the economy of Indonesia. Sarbapriya (2011) examined the relationship between foreign trade and economic growth in India, using annual data over the period 1972 to 2011. The co-integration and granger causality tests confirmed that economic growth and foreign trade are co-integrated, implying the existence of a

long run equilibrium relationship between the two, and the presence of bi-directional causality which runs from economic growth to foreign trade and vice versa. . Gudaro, Chhapra, & Sheikh (2010) studied the impact of foreign direct investment on economic growth of Pakistan and found that there is positive relationship between foreign direct investment and gross domestic product and also found that inflation is negatively associated with GDP. The researchers employed multiple regression technique to analyze time series data covering 1981 to 2010. Andras and Rodrigues (2010) examined the causes of economic growth in Portugal export or inward foreign direct investment. The authors employed unit root test, co-integration test and causality test to analyze the secondary data from 1977 to 2004 and found that both foreign direct investment and export play important role in the economic growth of Portugal.

Omoke and Ugwuanyi (2010) used Granger causality and co-integration tests to investigate the relationship between export, domestic demand and economic growth in Nigeria. the results from Trace and Maximum Eigen Value test conducted showed that the variables do not have long-run relationship, but the Pair-wise Granger Causality test showed that economic growth granger causes both export and domestic demand, while a bilateral causality exists between export and domestic demand. Khaliq and Noy (2007) noted that public investment in infrastructure such as transportation and communications bears a positive results to the economic growth while public investment in the state owned enterprises has a negative impact on the economic growth. Atrkar (2007) examined the study in the context of Iran on the topic of export linkage to economic growth and found that significant relationship between oil export and economic growth with the applied technique of Augumented Dickey Fuller test on the time series data from 1970 to 2001. He also found that manufactured exports can play very important role in the future on the economic growth. Duttaray, Dutt, and Mukhopadhyay (2008) examined the causality amongst FDI and economic development for 66 creating nations utilizing Toda and Yamamoto (1995) time arrangement testing strategies, and discovered that out of 30 African nations, FDI was not influencing development in 20 nations. Ricardo, Hwang and Rodrick (2005) argued that foreign direct investment (FDI) provides a path for emerging nations to export the products developed economies usually sell, in effect increasing their export sophistication. Many developing countries pursue FDI as a tool for export promotion, rather than production for the domestic economy. Typically foreign investors build plants in nations where they can produce goods for export at lower costs.

Le and Suruga (2005) examined the impact of public investment and FDI on economic growth using panel data of 105 developed and developing countries during the 1970-2009 period. Empirical findings revealed that both public investment and FDI have a positive impact on the economic growth, however, the effect of FDI on economic growth becomes weaker when the public investment exceeds 8-9 percent implying that excessive public investment can hinder the economic benefits from FDI. Nwanko et al (2003) examined the impact of globalization on foreign direct investment in Nigeria since the world has become a global village. The methodology used is purely descriptive and narrative and the data used is secondary. It was found out that foreign direct investment (FDI) has been of increased benefit to Nigeria in the area of employment, transfer of technology, encouragement of local enterprise, capital transfer, managerial expertise e.t.c. Alfaro et al, (2003) affirmed that the contribution of FDI to growth depends on the sector of the economy where the FDI operates. He claimed that FDI inflow to the primary sector tends to have a negative effect on growth, however, as for the service sector, the effect of FDI inflow is not so clear. Moudatsru (2003) examined European Union economy over the period 1980 and 1986. He found that FDI inflows have positive effects on growth in European Union countries through trade reinforcement. However, other studies on FDI and growth suggest that the effects of FDI on economic growth depend on a number of factors such as the level of technological advancement of the host economy, the economic stability, countries investment policy and the degree of openness. Lall (2002) opined that FDI inflow affects many factors in the economy and these factors in turn affect economic growth. The role of FDI seems to be country specific and can be positive, negative or insignificant, depending on the economic, institutional and technological conditions in the recipient countries. Bende-Nabende (2002) found that direct long term impact of foreign direct investment (FDI) on output is significant and positive for comparatively economically less advanced Philippines and Thailand, but negative in the more economically advanced Japan and Taiwan.

Otepola (2002) examined the importance of foreign direct investment in Nigeria. The study empirically examined the impact of FDI on economic growth. He concluded that FDI contributes significantly to growth especially through exports. Obwona (2001) noted in his study of the determinants of FDI and their impact on growth in Uganda that macroeconomic and political stability and policy consistency are important parameters determining the inflow of foreign direct investment (FDI) into Uganda and that foreign direct investment affects growth positively but insignificant. Foreign direct investment (FDI) also contributes to economic growth via technology transfer. Zhang (2001) argued that foreign direct investment has positive growth impact that is similar to domestic investment along with partly alleviating balance of payment deficit in the current account. He opined that via technology transfer and spillover efficiency, the inflow of foreign direct investment might be able to stimulate a country's economic performance. Ewe-Ghee Lim (2001) summarized arguments and findings on FDI and its correlation with economic growth focusing on literature regarding spillovers from FDI and found that while substantial support exists for positive spillovers from FDI, there is no consensus on causality. Adelegan (2000) also explored the seemingly unrelated regression model to examine the impact of FDI on economic growth in Nigeria and found out that FDI is pro-consumption and pro-import and negatively related to gross domestic investment.

Description of Variables

Government Revenue- Government revenue refers to the income accruable to the government through exportation of oil products and non-oil products from Nigeria to foreign countries. It is made up of all the receipts government derives from individual income taxes, corporate income taxes, social insurance (payroll) taxes and federal excise taxes. The federal government also collects revenue from estate and gift taxes, custom duties, earnings from the federal reserve system and various fees and charges. This **dependent variable** is expected to be influenced by several explanatory or exogenous variables which include foreign direct investment, export, import and exchange rate. The **independent or explanatory variables** included in the model are: **Foreign Direct Investment**- Foreign direct investment generally refers to an investment made to acquire a lasting management interest (normally 10% of voting stock) in a business enterprise in a country other than that of the investor. Foreign direct investment is considered to be an important source to build up physical capital, create employment opportunities, develop productive capacity, stimulate economic development, transfer of knowledge, and enhance skills of local labor and managers through transfer of technology and integration with rest of the world. This variable is expected to exert a significant positive influence on government revenue generation in Nigeria. **Exports :** Exports means sending of goods and services produced domestically to foreign countries for increased production and revenue generation. For several decades, Nigeria has been exporting oil products and non-oil products to numerous developing and advanced countries of the world with the aim of galvanizing production and revenue generation. This exogenous variable theoretically should influence government revenue generation positively because it is regarded as an injection into the circular flow of income. The higher the volume of exports of oil products and non-oil products by Nigeria to foreign countries, the greater the ability of the government to generate more revenue and vice versa. **Imports :** Imports refer to the bringing of goods and services produced or manufactured in foreign countries into the domestic economy for sale to the residents which include citizens, businesses and governments. This variable is considered to be a withdrawal from the circular flow of income and therefore should have a negative correlation with government revenue generation. There exists an inverse relationship between importation of consumer and capital goods from foreign trading partners and government revenue generation in the domestic economy. **Exchange Rate:** This is the price at which one country exchanges its currency for other currencies. It is the price of one currency in terms of another. The exchange rate of the naira relative to other currencies in the world has been deteriorating or worsening over the years. This variable is expected to have a significant negative relationship with government revenue generation in Nigeria owing to the persistent depreciation of the value of naira. **Stochastic Term:** This variable takes care of other numerous exogenous variables influencing government revenue generation in Nigeria which are excluded from the model.

Data and Methodology

The secondary data for the study were sourced from the Central Bank of Nigeria Statistical Bulletin (2017) and Publications of National Bureau of Statistics (2017) covering the period 1981 and 2017. Augumented Dickey Fuller (ADF) unit root test, Phillips-Perron (PP) unit root test, Johansen Co-integration test and Ordinary Least Square (OLS) regression technique were employed to analyze the data. Foreign Direct Investment (FDI), Export (EXPT), Import (IMPT) and Exchange Rate (EXGR) are the explanatory or exogenous variables in the model while Government Revenue (GREV) is the dependent or endogenous variable.

Model Specification

The mathematical representation of the variables identified for this model is presented as follows:
GREV= f(FDI, EXPT, IMPT, EXGR) (1)
where
GREV= Government Revenue Generation
FDI= Foreign Direct Investment
EXPT= Export of Oil Products and Non-Oil Products
IMPT= Import of Consumer Goods and Capital Goods
EXGR= Exchange Rate
The regression analysis of Ordinary Least Square (OLS) estimating technique, Augumented Dickey Fuller (ADF) unit root test, Phillips-Perron (PP) unit root test and Johansen Cointegration test were employed to empirically investigate the relationships among Government Revenue Generation (GREV), Foreign Direct Investment (FDI), Export (EXPT), Import (IMPT) and Exchange Rate (EXGR) in Nigeria over the period 1981 and 2017. Specifically, the estimated regression equation is of the following form:
$GREV= b_0 + b_1FDI + b_2EXPT + b_3IMPT + b_4EXGR + U$ (2)

A priori Theoretical Expectation The a priori theoretical expectations about the signs and magnitudes of the variables are stated in tabular form below:

Table 1

VARIABLES	EXPECTED SIGNS	APRIORI EXPECTATION
Constant Intercept	(+) Positive	$b_0 > 0$
Foreign Direct Investment	(+) Positive	$b_1 > 0$
Export	(+) Positive	$b_2 > 0$
Import	(-) Negative	$b_3 < 0$
Exchange Rate	(-) Negative	$b_4 < 0$

Table II DATA PRESENTED FOR ESTIMATION AND ANALYSIS

YEAR	GOVERNMENT REVENUE (#billion)	FOREIGN DIRECT INVESTMENT (#billion)	EXPORT (#billion)	IMPORT (#billion)	EXCHANGE RATE
1981	13.29	0.33	11.0	12.8	0.61
1982	11.43	0.29	8.2	10.8	0.6729
1983	10.51	0.26	7.5	8.9	0.7241
1984	11.25	0.36	9.1	7.2	0.7649
1985	15.05	0.43	11.7	7.1	0.8938
1986	12.60	0.74	8.9	6.0	2.0206
1987	25.38	2.45	30.4	17.9	4.0179
1988	27.60	1.72	31.2	21.4	4.5367
1989	53.87	13.88	58.0	30.9	7.3916
1990	98.10	4.69	109.9	45.7	8.0378
1991	100.99	6.92	121.5	89.5	9.9095
1992	190.45	14.46	205.6	143.2	17.2984
1993	192.77	29.66	218.8	165.6	22.0511
1994	201.91	22.20	206.1	162.8	21.8861
1995	459.99	75.90	950.7	755.1	21.8861
1996	523.60	111.30	1309.5	562.6	21.8861
1997	582.81	110.50	1241.7	845.7	21.8861
1998	463.61	80.70	751.9	837.4	21.8861
1999	949.19	92.80	1189.0	862.5	92.6934
2000	1906.16	116.00	1945.7	985.0	102.1052
2001	2231.60	132.40	1868.0	1358.2	111.9433
2002	1731.84	225.20	1744.2	1512.7	120.9702
2003	2575.10	258.40	3087.9	2080.2	129.3565
2004	3920.50	248.20	4602.8	1987.0	133.5004
2005	5547.50	654.20	7246.5	2800.9	132.147
2006	5965.10	624.50	7324.7	3108.5	128.65
2007	5727.51	759.40	8309.8	3912.0	125.83
2008	7866.60	971.50	10387.7	5593.2	118.57
2009	4844.59	1273.80	8606	5480.7	148.88
2010	7303.67	905.70	12011.5	8164.0	150.3
2011	11116.85	1360.30	15236.7	10995.9	153.86
2012	10654.75	1113.50	15139.3	9766.6	157.5
2013	9759.79	875.10	15262.0	9439.4	157.31
2014	10068.85	738.20	12960.5	10538.8	158.55
2015	6912.50	602.10	8845.2	11076.1	193.28
2016	5679.03	1124.10	8835.6	9480.4	253.49
2017	7317.70	1069.40	13988.1	10804.8	305.7901

Source: Central Bank of Nigeria Statistical Bulletin (2017) and National Bureau of Statistics (2017)

Table III AUGUMENTED DICKEY FULLER TEST STATISTICS OF THE VARIABLES

Variables	ADF Statistics	1%	5%	10%	ORDER OF INTEGRATION	MAXIMUM NO. OF LAG
GREV	-5.950312	-3.632900	2.94-8404	-2.612874	I(1)	9
EXPT	-5.800028	-4.273277	-3.557759	-3.212361	I(1)	9
IMPT	-10.22962	-3.646342	-2.954021	-2.615817	I(2)	9
FDI	-9.389171	-3.632900	-2.948404	-2.612874	I(1)	9
EXGR	-8.537160	-3.639407	-2.951125	-2.614300	I(2)	9

Source: Author's Computation using E-view 9

Table IV PHILLIPS-PERRON TEST STATISTICS OF THE VARIABLES

Variables	PP Statistics	1%	5%	10%	ORDER OF INTEGRATION	MAXIMUM NO. OF LAG
GREV	-5.949958	-3.632900	-2.948404	-2.612874	I(1)	3
EXPT	-5.612195	-3.639407	-2.951125	-2.614300	I(2)	3
IMPT	-5.599867	-3.632900	-2.948404	-2.612874	I(1)	3
FDI	-9.171957	-3.632900	-2.948404	-2.612874	I(1)	3
EXGR	-9.810021	-3.639407	-2.951125	-2.614300	I(1)	3

Source: Author's Computation using E-view 9

Table V

Date: 12/04/18 Time: 13:58
Sample (adjusted): 1983 2017
Included observations: 35 after adjustments
Trend assumption: Linear deterministic trend
Series: GREV EXPT IMPT FDI EXGR
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.834391	153.9597	69.81889	0.0000
At most 1 *	0.775446	91.02530	47.85613	0.0000
At most 2 *	0.471540	38.74793	29.79707	0.0036
At most 3 *	0.259989	16.42533	15.49471	0.0361
At most 4 *	0.154819	5.887157	3.841466	0.0152

Trace test indicates 5 cointegrating eqn(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 No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.834391	62.93439	33.87687	0.0000
At most 1 *	0.775446	52.27736	27.58434	0.0000
At most 2 *	0.471540	22.32260	21.13162	0.0339
At most 3	0.259989	10.53818	14.26460	0.1789
At most 4 *	0.154819	5.887157	3.841466	0.0152

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):

Table V above presents the co integration result for the variables in the model. Here, it could be observed that

the variables in the equation are co-integrated. The existence of co-integration suggests that there is a long-run relationship among the variables in the equation. Trace test and Max-eigenvalue test indicate co-integration at 5% level of significance respectively. Consequent upon this, an ordinary least square regression was estimated due to the stationary of the variables at their various first and second differences.

Table VI

Dependent Variable: GREV
Method: Least Squares
Date: 12/04/18 Time: 13:21
Sample: 1981 2017
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	176.6956	162.6612	1.086280	0.2855
EXPT	0.732483	0.083285	8.794944	0.0000
IMPT	-0.009879	0.094080	-0.105010	0.9170
FDI	-0.611434	0.753273	-0.811704	0.4230
EXGR	-0.493292	2.751937	-0.179253	0.8589

R-squared	0.970915	Mean dependent var	3110.127
Adjusted R-squared	0.967280	S.D. dependent var	3662.819
S.E. of regression	662.5561	Akaike info criterion	15.95518
Sum squared resid	14047378	Schwarz criterion	16.17287
Log likelihood	-290.1708	Hannan-Quinn criter.	16.03192
F-statistic	267.0604	Durbin-Watson stat	1.944616
Prob(F-statistic)	0.000000		

Table VII Presentation of Regression Result

VARIABLES	COEFFICIENT	STANDARD ERROR	T-STATISTICS	PROB.	APRIORI EXPECTATION	INFERENCE
Constant term	176.6956	162.6612	1.086280	0.2855	$b_0 > 0$	Correct sign and significant
FDI	-0.611434	0.753273	-0.811704	0.4230	$b_1 < 0$	Incorrect sign and significant
EXPT	0.732483	0.083285	8.794944	0.0000	$b_2 > 0$	Correct sign and significant
IMPT	-0.009879	0.094080	-0.105010	0.9170	$b_3 < 0$	Correct sign and significant
EXGR	-0.493292	2.751937	-0.179253	0.8589	$b_4 < 0$	Correct sign and significant
Significant at 5%		$R^2 = 0.97$			DW= 1.9	

Source: Author's Computation using E-view 9 version

GREV= 176.6956 – 0.611434FDI + 0.732483EXPT – 0.009879IMPT – 0.493292EXGR

Interpretation and Discussion of Empirical Findings

The empirical result in table VII reveals that Export (EXPT) is positively related with Government Revenue Generation (GREV) in Nigeria. This suggests that a one percent increase in exportation of goods and services to foreign trading partners will lead to 73.24 percent rise in Government Revenue Generation (GREV) in Nigeria. Foreign Direct Investment (FDI) and Import (IMPT) are inversely related to Government Revenue Generation (GREV) which implies that a one percent change in (FDI) and (IMPT) will cause -0.611434 and -0.009879 reduction in Government Revenue Generation. The estimated result also shows that Exchange Rate (EXGR) is negatively correlated with Government Revenue Generation (GREV). The coefficient of Exchange Rate (EXGR) in the estimated regression equation is -0.493292 which is statistically significant with a t-value of -0.179253. This connotes that a one percent change in Exchange Rate (EXGR) will result in 17.92 percent reduction in Government Revenue Generation (GREV). The coefficient of determination (R^2) indicates that over 97 percent changes in Government Revenue Generation (GREV) are explained by Foreign Direct Investment (FDI), Export (EXPT), Import (IMPT) and Exchange Rate (EXGR) taken together. This shows that the estimated equation is a good fit, that is, the explanatory variables are good predictors or explainers of changes in Government Revenue Generation in the Nigerian economy. The unexplained variation of 3 percent could be attributed to some other variables affecting Government Revenue Generation which are excluded from the model.

The adjusted coefficient of determination (R^2) is 0.967280 which shows that 96 percent variation in Government Revenue Generation (GREV) is caused by variations in Foreign Direct Investment (FDI), Export (EXPT), Import (IMPT) and Exchange Rate (EXGR). The specification of the model is statistically significant given its F-statistics to be 267.0604. this shows the overall significance of the model and this indicates that collectively, all the explanatory variables are important determinants of Government Revenue Generation in Nigeria. The Durbin- Watson statistics with a value of 1.944616 illustrates absence of autocorrelation among the variables in the model. Since Foreign Direct Investment (FDI) exerts a statistically significant negative relationship with Government Revenue Generation (GREV) in the model, the null hypothesis is accepted which states that there is no significant positive relationship between FDI and Government Revenue Generation (GREV) in Nigeria. Empirical findings further revealed that Export (EXPT) has a statistically significant positive correlation with Government Revenue Generation (GREV) in the model, thus, the null hypothesis is rejected which states that there is no significant positive relationship between Export (EXPT)and Government Revenue Generation (GREV) in Nigeria. The results also show that there exists a statistically significant inverse relationship between Exchange Rate (EXGR) and Government Revenue Generation, thus the null hypothesis is accepted which states that there is no significant positive nexus between Exchange Rate (EXGR)and Government Revenue Generation (GREV) in the Nigerian economy.

Conclusion and Recommendations

This study empirically examined government revenue implications of foreign direct investment, export, import and exchange rate in Nigeria, employing secondary data sourced from Central Bank of Nigeria Statistical Bulletin and Publications of National Bureau of Statistics from 1981 to 2017. The empirical findings revealed that foreign direct investment, import and exchange rate have inverse relationships with government revenue generation in the model while export has a statistically significant positive correlation with government revenue generation in Nigeria. Based on the empirical findings, the following recommendations are made:

-Government at all levels should provide enabling environment in terms of adequate and efficient security system, political stability, uninterrupted power supply and favorable fiscal policy to attract new foreign investors and prevent existing ones from further relocation to neighboring countries.

–Exportation of finished products as against primary products should be the focus of both private and public enterprises in order to expand government revenue generation.

–Preference should be given to importation of capital goods rather than consumer goods by the government so as to produce more exportable products for increased revenue.

–Trade policies and their application should be made investor-friendly thereby fostering foreign investment and contributing to government revenue generation.

–Establishment of a stable exchange rate regime capable of attracting enormous foreign investment by the government.

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