

## Foreign Direct Investment and Employment Generation in Nigeria: An Error Correction Mechanism Approach

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### Abstract

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The study investigates the relationship between foreign direct investment and employment generation in Nigeria from 1980 – 2016. The variables employed are that of employment level as (dependent variable) whereas foreign direct investment (FDI), credit to private sectors (CPS), exchange rate (EXR) and export values (XPT) were used as independent variables. The Ordinary Least Square (OLS) of multiple regression analysis, the Unit Root test for stationarity using Augmented Dickey Fuller (ADF), Phillip-Perron and Kwiatkowski-Phillips –Schmidt-Shin test, Co-integration test for long run relationship and the Error Correction Mechanism were all used as the econometric techniques for the analysis. The result of the analysis established that the variables are co-integrated of the same order and that there is a long run relationship among the variables for both Trace and Max-Eigen statistic test. The ECM result indicates that the speed of adjustment from the short run dynamics to the long run equilibrium is 30 percent and rightly signed with its negative values. The result equally indicates that the entire variables are key determinants of employment level except export which was found to be statistically insignificant at 5 per cent level. The study recommends that FDI be channelled properly to promote the economy of Nigeria and at the same time improve on the exportable of the country while tilting towards a stable exchange rate regime. The study concludes that employment can be generated if FDI is encouraged through a friendly business environment devoid of violence as it is characteristically the Nigerian case in the recent time.

**Keywords:** *Investment, Employment, Co-integration, Export and Exchange rate*

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### **Background to the Study**

Foreign direct investment (FDI) is seen as an engine of growth because it gives the needed capital for funding investment which helps to increase competition in the host country's industries and aids local industries to become highly productive by adopting greater and efficient technologies or making an investment in human capital (Udeaja, Udoh and Ebong, 2008; Abor and Harvey, 2008). FDI is an investment made to pull together an enduring control interest in a business corporation working in a country apart from that of the investors designated residency. FDI as a complex area encompasses nearly all facets of human endeavour. Foreign Direct investment is part of the global capital flows and it has been the biggest single source of external finance for developing countries. This is possible considering the fact that it is widely believed that economic growth relies upon both domestic and foreign investments and correspondingly on the rate of inflow of foreign funding on the economic growth rate in Nigeria. Going by way of the intent of FDI, there is absolute uncertainty that, FDI will augment real resources in the domestic economy of Nigeria (Umoh, Jacob, and Chuku, 2012). FDI inflows are the least risky of all capital flows, and more importantly will have direct significance on economic growth. The stability of FDI stems from the fact that direct investors have a massive time period view of the market thus saving recipient from the sheer trouble of liquidating asserts at short notification.

The direct impact of FDI on growth arises from human capital formation and the effect is great if it is complemented with human capital. It has also been argued that FDI disturbs the present equilibrium in the host country and could put pressure on domestic companies to produce less output, shove up their average rate curves, decrease the productiveness of these companies and thereby leading to a decline in net domestic production in spite of know-how (technology) transfer from overseas firms. The amount of foreign direct investment inflow into Nigeria has increased from 3.34% in 2006 to 3.62% in 2011, 17.24% in 2012 and 42.1% in 2016 (Egbo, Onwumere and Okpara, 2011). The global economy with high corruption and misappropriation level has emerged as a norm in preference to expectation. Nigeria needs foreign direct investment as a verifiable booster of the Nigeria economy while others are of the view that foreign direct investment is a form of neo-colonialism. The view of FDI as parasitic and retarding the improvement of domestic industries for export promotion had engendered hostility to multi-national businesses and their direct investments in many countries (Adofu, 2010; Eneji, Mai-Lafia, and Weiping, 2013). It is assumed that foreign direct investment (FDI), as a key element of globalization in the world economy, is a driver of employment, technological progress, productivity development, and in the long run, economic growth. FDI, it is argued fulfils the development of potentials, forex, investment and tax revenues gaps in developing countries. The contribution of FDI to the economy of the world has, however, been strongly cynical for over five decades. According to Olusanya (2013), FDI is normally sought for by nations that are going through transition period and countries confronted with extreme structural unemployment and poverty. Shaari, Hussain and Halim (2012) observed that Nigeria as one of the developing countries of the world, has adopted a number of measures aimed toward accelerating growth and development in the

domestic economy. The realization of the significance of FDI had informed the pragmatic economic reforms brought in the mid-1980 by the Nigerian government (Olayinka, 2009). As a result, diverse reforms have been designed to increase the appeal of Nigeria's investment climate and to foster the growing confidence in the economy with a view to encouraging foreign investors into Nigeria (Adeniyi, Omisakin, Egwaikhide and Oyinlola, 2012).

### **Statement of the Problem**

The problem of employment generation has formed an essential focus of macroeconomic goals of any country so as to attain full employment. Differently put, the purpose of increasing the rate of employment among other macroeconomic objectives is key in many developing countries in which unemployment and underutilization of resources has caused increasing rate of poverty. To increase the level of employment, scholars argued that the stream of products and services (trade flows) may want to propel employment generation, particularly in developing countries (Okon, Augustine and Chuku, 2012; Abaukaka, 2014). However, employment creation nonetheless poses a major task to the Nigerian authorities. World Bank (2013) reports that job creation in Nigeria has been inadequate to keep pace with the expanding workforce population. The rates of unemployment were noticed to be over 40% as observed by NBS (2013). Employment rate decreased continuously from 52.7% in 1991 to 50.6% in 2004. However, in 2005, employment began to increase sluggishly, from 50.8% to 51.4% in 2010. Starting from 2011 to 2016, employment rate rose to 16.0%, 68.9% and 90.2%.

It is noticeable right here that in 2004, the National Economic Empowerment and Development Strategy (NEEDS) was introduced in Nigeria. One of the motives why NEEDS became adopted was to scale down the growing unemployment problem. The government hoped that NEEDS might create 7 million new jobs, diversify the economy, boost non- energy exports, increase commercial capability utilization, and improve agricultural productivity. In spite of this policy, there has been no huge growth in employment rate in the country, Nigeria (Ozughalu, and Ogwumike, 2013). FDI is assumed to benefit poor countries like Nigeria, not only by supplementary domestic investment, but additionally in terms of employment creation, transfer of technology, increased domestic competition and different positive externalities hence its need in the country. Foreign direct investment inflows in Nigeria grew sluggishly over the course of the last decade from \$1.14 billion in 2001 to \$2.1 billion in 2004 and reached \$11 billion in 2009 in line with UNCTAD, making the country the nineteenth highest recipient of FDI in the globe (Onakoya, 2012). Averagely, the effect of FDI on employment is some distance from being clear and the effect varies across countries under unique economic circumstances. Economic developments, policies and establishments made specially to draw FDI into the country were insufficient to make any appreciable impact on employment generation. This therefore calls attention to pertinent questions like; How has FDI impacted on employment level in Nigeria? What impact does FDI have on employment in the long- run? What concrete effort has government put in place to avoid wrong channelling of FDI products in Nigeria?

### **Objectives of the Study**

The overall goal of this study is to empirically look at the nexus between foreign direct investment and employment in Nigeria from 1980 – 2016. The specific objective is to:

- i. Investigate the effect of FDI on Employment level in Nigeria,
- ii. Analyse the impact of XPT on Employment level in Nigeria,
- iii. Examine the impact of EXR on Employment level in Nigeria,
- iv. Determine the effect of CPS on Employment level in Nigeria.

### **Research Hypotheses**

- i. FDI has not considerably promoted EPL in Nigeria significantly,
- ii. XPT has not significantly led to increase in EPL in Nigeria,
- iii. EXR has not contributed significantly to increase in EPL in Nigeria,
- iv. CPS cannot promote significantly EPL climate in Nigeria

### **Theoretical Literature Overview**

Basically, there is plethora of theoretical foundations of FDI which has been developed to address the nagging debate about FDI impact on employment generation. Such theories are; the product life –circle dependency and the Dependency Theory.

### **Product Lifestyles-Cycle Concept**

This was formulated by Vernon (1966) and used in explaining types of foreign direct investment made by his company in Western Europe after the World War II in the manufacturing industries. There are four stages of Product Life Cycle theory which are innovation, growth, maturity and decline. The primary thrust of the theory according to Shenker (2007), is that the manufacturer initially gains a monopolistic export advantage from the goods (products) innovation developed in the United State market. He held that although the manufacturing costs may be reasonably cheap in foreign international locations, however the production will still be concentrated in the U.S. market at the brand new product stage. If a product becomes standardized, the U.S. dealers or investors will now have incentive to invest overseas to take the advantage of less expensive production cost and this may be made in any other industries in another country where export sales are largely sufficient to help the economies of scale in local production and finally at the beginning stage, all manufacturers pass through cost competition which comprises of firms imitating foreign firms. It is at this level, the U.S initial manufacturers shift manufacturing from the primary country of FDI presence to a reduced-price country sustaining the vintage subsidiary with new merchandise or products (Abu and Achegbulu, 2011).

### **The Dependency Theory**

This theory derived its name from the word La -Dependencia as an economic theory developed in Latin American countries. Dependency theory is linked to Prebisch (1950) and explains the dependence of developing countries on powerful developed countries. The dependency theorists distinguish various states in line with the specific economic features they carry out. Especially advanced and advanced super powers like the United

States falls under the centre(C) category while emerging countries like Canada, the Netherlands and Japan are termed periphery-centre (PC) category. These nations have standard economic development and industrialisation. The third class is the centre-periphery (CP) category, which incorporates developing nations which are growing speedily like Brazil, China, India and South Africa (Okoro and Atan, 2014). The last class is the periphery-periphery (PP) class which consists of countries considered economically backward like Nigeria and many others. In line with the Dependency Theorists, breaking the cycle of the increasing economic disparities among the richer and poorer countries in the interim, would be an attempt to be self-reliant as much as feasible and decreasing the level of imports and organising state control over the economy (Jhingan 2013).

### **Empirical Literature Review**

Abaukaka, (2014) examines the link that exists between foreign direct investment and employment in Nigeria by employing multiple linear regression models for data which covers the periods 2002 to 2012. To empirically establish the link, some variables were incorporated into the econometric model which comprises of employment level as the dependent variable and the explanatory variables are FDI, GDP and interest rate. From the empirical results, FDI exhibited a negative relationship with the level of employment in Nigeria while GDP and interest rate positively related to the level of employment. However, none of the explanatory variables appreciably impacted on the level of employment in Nigeria in the duration of the study. Based on this, the paper recommends among others that government must place mechanism whereby the research institutions go into partnership with major industries in the country to develop capacities that are adaptable in the contemporary job market and government should ensure that the needed infrastructural facilities are provided to attract additional investors.

Salami and Oyewale (2013) investigates the relationship between international trade flows and employment in Nigeria for the duration of 20 years (1990 to 2010). The use of time series data estimation technique was employed and it was discovered that there is a significant link between FDI flows and employment in Nigeria both in the short run and long run. However, external factors consisting of real effective exchange rate, import rate and internal factors such as inflation rate and export rate essentially are factors that can explain employment rate in Nigeria. Given the Nigeria economy resource base, the country's foreign investment policy has to circulate towards attracting and encouraging extra inflow of foreign capital. Therefore, it is recommended that FDI need greater attention on Nigeria's agricultural sector because of the strategic relevance of the sector to the state's economy mainly in the area of employment generation, and that concerted efforts ought to be made via the government to attract foreign investors, stimulate production and generate employment especially for the population.

Ugochukwu, Okorie and Unoh (2013) investigated the empirical link between foreign direct investment and economic growth in Nigeria. The work covered an interval of 1981 to 2009. A linear regression model was formulated and the Granger causality test was utilized to carry out this research. The empirical results showed that there was a positive

link between economic growth (GDP) and FDI although it was insignificant. They found out that the insignificant relationship could be as a result of inadequate FDI fund invested into the Nigerian economy which has not been able to significantly impact on the economic growth. The result of the study portrayed that domestic funding was responsible for the increase witnessed in Nigeria's economy over the review period. In addition, they concluded that domestic investment is primarily required to contribute to the growth of the Nigerian economy.

Onakoye (2012) analysed the impact of foreign direct investment on economic growth in Nigeria. The study developed a structural macroeconomic model which includes four blocks made of supply, non-private demand, government and external sectors. The model deployed 18 simultaneous equations and 100 variables to capture the required proxies. The studies followed a three-stage least squares (3SLS) approach and macro econometric model of simultaneous equations to capture the disaggregated effect of FDI on the separate sectors of the economy and the inter-linkages among the sectors to be able to deliver superior insight into the characteristics variations therein. The finding indicates that FDI has a considerable impact on output of the economy but that the growth magnitudes of FDI vary throughout sectors.

Mpanju (2012) examined the effect of FDI inflows on employment creation in Tanzania from 1990–2008. The study adopted a case study design with a quantitative studies approach representing an econometric estimation using ordinary least squares (OLS). The results indicated that a strong positive relationship exists between the variables, implying that FDI has a considerable significant impact on the pattern of employment opportunities.

Abor and Harvey (2008) analysed the effect of foreign direct investment on employment growth in Ghana. It provided an insight into the impact of FDI flow on employment growth from a host country perception. A simultaneous panel regression model was utilized in estimating the effect of FDI on employment and wages. The result of this examination indicated that FDI has a statistically significant and positive impact on employment in Ghana, but has an insignificant impact on wages. They opined that FDI can substantially augment domestic efforts by way of developing better economy for more jobs in the economy. The result confirmed that FDI inflows affect employment quantitatively but not necessarily qualitatively. The study recognized that other factors consisting of productivity and wages were not significant in affecting wages in Ghana.

### **Model Specification**

In order to estimate the relationship between FDI and employment rate in Nigeria, the present study employs single equation model. Ordinary least square (OLS) method is used in the present investigation. The focal goal of the present work is to investigate the impact of FDI on the employment level in Nigeria. A function that relates these parameters can be of the form;

$$EPL = f(FDI, EXR, CPS, XPT) \dots\dots\dots 1$$

The econometric form is stated as;

$$EPL = \beta_0 + \beta_1 FDI + \beta_2 EXR + \beta_3 CPS + \beta_4 XPT + \mu_t \dots\dots\dots 2$$

The model can be transformed into log-liner form as;

$$EPL = \ln \beta_0 + \beta_1 \ln FDI + \beta_2 \ln EXR + \beta_3 \ln CPS + \beta_4 \ln XPT + \mu_t \dots\dots\dots 3$$

**Lagged OLS Variable model**

Gujarati (2004) asserts that time lag exists among some economic growth variables. Wilhelm and Witter (1998) equally emphasize the need for the usage of the lagged values of the explanatory variables. It is believed that it takes one to five years for FDI projects to exert significant results on the economy of a country. This time lag accounts for registration to actual operation. In order to account for this time lag, a model of the form is equally specified.

$$EPL = \ln \beta_0 + \beta_1 \ln FDI_{t-1} + \beta_2 \ln EXR_{t-1} + \beta_3 \ln CPS_{t-1} + \beta_4 \ln XPT_{t-1} + \mu_t \dots\dots\dots 4$$

**Aprori Expectation**

The regression models above set out to test if there is relationship between EPL and FDI. Different variables, believed to have effect on the economy, are similarly included. The coefficient of FDI, XPT and CPS are anticipated to be positive while the coefficient of EXR is expected to be negative depending on the variability in the time period.

**Results and Discussion of Major Findings**

**Table 1. Unit Root Test (ADF & PP) At 1<sup>st</sup> DIFFERENCE**

Variables	ADF stat test	ADF 5 % Crit.	PP stat test	PP 5 % Crit.	Order of integration	Remarks
EPL	-6.481813	-3.544284	-7.303708	-3.544284	1(1)	S
CPS	-6.619133	-3.562882	-31.59429	-3.557759	1(1)	S
EXR	-5.684315	-3.562882	-5.684287	-3.544284	1(1)	S
FDI	-5.472188	-3.544284	-3.994809	-3.552973	1(1)	S
XPT	-7.396589	-3.562882	-7.504681	-3.544282	1(1)	S

**Source:** Authors computation (e-view, 9.0)

At first differences, EPL, CPS, EXR, FDI and XPT variables became stationary in absolute terms at 5 per cent level of significance. It is observed that the ADF and P-P outcomes with trends and intercept reveals that all the variables are integrated of the same order, 1(1). Consequently, the linear combination of any series integrated of the same order is said to be co-integrated.

**Table 2: Co-integration Result (Trace and Max-Eigen Stat)**

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	> / <	0.05 Critical Value	Prob.**	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.976532	99.21261	>	88.80380	0.0072	43.95113	38.33101	0.0102
At most 1	0.764728	55.26148	<	63.87610	0.2140	22.76159	32.11832	0.4356
At most 2	0.644254	32.49989	<	42.91525	0.3619	16.00470	25.82321	0.5443
At most 3	0.231893	16.49519	<	25.87211	0.4534	10.75195	19.38704	0.5391
At most 4	0.324218	5.743242	<	12.51798	0.4936	5.743242	12.51798	0.4936

**Source:** Authors computation (E-view, 9.0)

From table 2 above, the presence of co-integration shows a long run relationship among the variables under consideration. The long run relationship among EPL, CPS, EXR, FDI and XPT for one (1) co-integrating equation for Nigeria within the period 1980 -2016 is as shown in table 2. The Trace and Max-Eigen statistic rejected the null hypothesis of no co-integration at 5 per cent level respectively. Consequently, the Johansen methodology concludes that there exists 1 co-integrating relationship among the variables under attention from 1980 – 2016.

**Table 3: The Short Run Multiple Regression Analysis Using Log-Linear (OLS)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.456852	2.175944	2.967380	0.0060
LOG(CPS)	0.039521	0.059776	2.661147	0.0137
EXR	0.002677	0.002078	2.288465	0.0278
LOG(FDI)	-0.299543	0.081427	-3.678670	0.0009
LOG(XPT)	-0.298910	0.549963	-0.543509	0.5909
R <sup>2</sup> = 0.570646; Adj. R <sup>2</sup> = 0.511425; F-Statistic = 9.635825; A.I.C = 1.016016; S.C = 1.240481; D-W = 1.843008.				

**Source:** Authors computation (E-view, 9.0)

From table 3, the R<sup>2</sup> value of 0.570646 shows that 57 per cent variation in EPL is explained by the independent variables of CPS, EXR, FDI and XPT in the model. The remaining 43 per cent is attributable to variables excluded from the model but are captured by the white noise term. The F\* value is 9.635825 indicating that the overall model is statistically significant at 5 per cent level of significance. The Durbin-Watson test result of 1.843008 indicates that there is absence of positive first –order serial auto correlation in the model. The result from the Akaike information criterion (1.016016) and Schwarz criterion (1.240481) are each close to zero. Consequently, the result emanating from it can be dependable for policy formulation and implementation in the economy.

### Credit to Private Sector and Employment

The coefficient of log CPS is 0.039521 per cent. This means that as CPS increases, employment increases by 0.039521 per cent. This is consistent with economic theory and



apriori expectation. The  $t^*$  value of 2.661147 is greater than the p-critical value of 0.0137. The result confirmed that there is a positive relationship between CPS and EPL. On the ground of the above result, the null hypothesis of no significant relationship between the variables of CPS and EPL is rejected but we do not reject the alternative hypothesis. Since the result is in line with increase in EPL through increased CPS, the authorities and the Deposit Money Banks (DMB) must make certain policies that will improve access to loans to the private sector to boost the business environment which can create jobs. The real role of a Deposit Money Banks (DMB) will be misplaced if interest rates are high; consequently, banks need to ensure that interest rates are made to be moderate in the economy of Nigeria.

### **Exchange Rate and Employment**

The coefficient of EXR is 0.002677 per cent. This implies that as EXR increases, employment level increases by 0.002677 per cent. This is not in line with economic theory and apriori expectation. The  $t^*$  value of EXR is 2.288465 and greater than the p-value of 0.0278. The result confirmed that there is positive relationship between EXR and EPL. On the ground of the above result, the null hypothesis of no positive relationship between the variables of EXR and EPL is rejected but we do not reject the alternative hypothesis. Policy effort to stabilize the exchange rate should be advocated. This is due to the fact that majority of the company employing human capital rely on inputs import from overseas. Consequently, if exchange rate is excessive and high, our export becomes costlier and dearer so that it will clearly impede on employment creation in Nigeria. A depreciation of the exchange rate will create more employment in the economy of Nigeria given that more of the commodities produced domestically would be exported.

### **Foreign Direct Investment and Employment**

The coefficient of logFDI is -0.299543 per cent. This implies that as FDI increases, employment level decreases by -0.299543 per cent. This is not consistent with economic theory and apriori expectation. The  $t^*$  value of FDI is -3.678670 and greater than the p-value of 0.0278. The result confirmed that there exists a negative relationship between FDI and EPL. On the ground of the above result, the null hypothesis of no significant relationship between the variables of FDI and EPL is rejected but we do not reject the alternative hypotheses. The result asserts that FDI will decrease employment. Consequently, government at all level should as a matter of urgency monitor FDI influx as previous studies has found a positive relationship between FDI and employment. Corruption in the system should be shunned and capital punishment melted on offenders in Nigeria. This is against the works of Mpanju (2012) and Abor and Harvey (2008) who found a positive relationship between FDI and EPL

### **Export and Employment**

The coefficient of logXPT is -0.298910 per cent. This means that as XPT increases, employment level decreases by -0.298910 per cent. This is not consistent with economic theory and apriori expectation. The  $t^*$  value of logXPT is -0.543509 and less than the p-value of 0.5909. The result showed that there is a negative relationship between logXPT

and EPL. On the ground of the above result, the null hypothesis of no positive relationship between the variables of logXPT and EPL is not rejected but we do reject the alternative hypothesis. The outcomes of the analysis assert that XPT will lower employment. Consequently, government as a matter of urgency must make sure better policy measures are put in place to enhance export in Nigeria. The result is like this because majority of the export commodities produced in Nigeria are considered of low quality and fake to be consumed outside the shores of Nigeria. Therefore, the regulatory body should stir into active action to stem the tide or the economy will collapse

**Table 5: The Parsimonious Error Correction Mechanism Result (Short Run)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.777507	0.711185	-1.093256	0.2879
D(CPS)	9.430005	0.000346	0.872855	0.7879
D(CPS(-1))	-0.000459	0.000395	-1.161638	0.2598
D(CPS(-2))	-0.000328	0.000332	-0.988673	0.0352
D(EXR)	0.016678	0.034286	0.986420	0.0322
D(EXR(-1))	0.022388	0.045188	4.995445	0.0200
D(FDI)	1.040706	3.63E-06	0.285629	0.7783
D(FDI(-1))	1.832106	5.710206	2.319569	0.0528
D(FDI(-2))	3.951206	9.029306	3.437633	0.0056
D(XPT(-1))	0.028738	0.072371	2.397093	0.0507
D(XPT(-2))	0.004866	0.053719	1.090579	0.0288
ECM(-1)	-0.300708	1.779390	-2.579248	0.0592

**Source:** Authors computation (E-view, 9.0)

From the test, ECM (-1) is negative with a coefficient value of -0.300708. The speed of adjustment from the short run disequilibrium or dynamics to its long run equilibrium is 30 per cent. The coefficient of current CPS is 9.430005. The past (lag 1 & 2) of CPS are not rightly signed and their t\* values for current and past (lag 1 & 2) are statistically significant at 5 level. The coefficients of current and past (lag 1) of EXR are not rightly signed and their t\* values for current and past (lag 1) are statistically significant at 5 per cent level. The coefficients of current and past (lag 1 & 2) of FDI are rightly signed and their t\* values for current and past (lag 1&2) are statistically significant 5 per cent level. The coefficients of past (lag 1 & 2) of XPT are rightly signed and their t\* values for past (lag 1&2) are statistically significant at 5 per cent level.

### Conclusion

Irrespective of the perceived positive response of FDI to creating jobs in studies carried out by Abaukaka (2014), the overall performance of FDI in terms of transforming the unemployment ridden economy of Nigeria has left much to be desired. The economy is still battling with high level of infrastructural decay, poor access to credit for the investors, poor export values of domestically produced goods and services. Furthermore, to the above are the near lack of friendly business environment which for now cannot spur investors (foreign) into the economy due to security issues in the Niger delta and

Boko Haram in the North east Nigeria and more recently, the activities of the Indigenous People of Biafra (IPOB).

### **Recommendation**

The body in charge of employment in the country is the National Directorate of Employment (NDE) in Nigeria. The body and higher institutions need to have a partnership with existing multinational organizations/agencies so that graduates are made employable and then tailor skills development closer to employable opportunities. The result shows that foreign direct investment has the potentials to create employment opportunities in the Nigerian economy. The government and bodies assigned to maintain a friendly environment should make inflow of FDI possible in the economy of Nigeria. Again, the investors in Nigeria must be made to have unrestricted access to bank loans as part of extending credit to the private sectors. A higher interest rate might be the primary limitations why companies are winding up day by day in Nigeria. Lower interest rates create the much needed access to investors and as a result jobs creation is sure. Exchange rate from the result established that it can be a powerful weapon to re-engineer the economy for employment generation. The policy of exchange rate ought to be made moderate as shocks in exchange rates can cause lack of jobs mainly when the exchange value appreciates. Export promotion approach has not produced sufficient and good result to cope with the yearnings for employment creation in Nigeria. Export should carefully be made to ensure that the sector generates employment for the people. Domestic production of quality goods and services will in no small measure make the difference. Foreign investors should be motivated to venture into the real sectors of the economy such as the Agricultural sector (rice production for example) and the Manufacturing sector to absorb large volume of Nigerian workforce.

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