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Foreign Direct Investment and Infrastructure Development in Nigeria: Assessing Government Capital Expenditure

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Abstract: *This study examines the relationship between Foreign Direct Investment (FDI) and infrastructure development in Nigeria, focusing on government capital expenditure. The research considers FDI inflows, FDI outflows, and remittance inflows as independent variables, while government capital expenditure serves as the dependent variable. Using an ex-post facto research design, the study covers the period from 1991 to 2021, relying on secondary data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin. A multiple regression analysis was conducted to assess the impact of these financial inflows on capital spending. The findings reveal that FDI inflows (p-value: 0.0055) significantly contribute to increased government capital expenditure, whereas FDI outflows (p-value: 0.4081) exhibit a positive but statistically insignificant effect. Additionally, remittance inflows (p-value: 0.0000) show a substantial positive impact on capital expenditure. These results suggest that foreign investment and remittances play a crucial role in shaping Nigeria's infrastructure development. Given these insights, the study recommends that the government implement policies to enhance investment attractiveness, particularly by addressing security challenges and creating a stable economic environment. Moreover, initiatives should be put in place to encourage both domestic and foreign investors to engage in infrastructure projects that yield long-term economic benefits.*

Keywords: Foreign Direct Investment (FDI), infrastructure development, government capital expenditure, FDI inflows, FDI outflows, remittance inflows, Nigeria.

INTRODUCTION

Foreign Direct Investment (FDI) has become a major force driving economic growth in both developed and developing countries in recent years (Yusuf et al., 2020). Economists worldwide are keen to understand how FDI shapes the economic trajectory of host nations. According to the International Monetary Fund (IMF), FDI refers to an investment that establishes a lasting interest in a business outside the investor's home country (IMF Country Reports, 2020). Essentially, FDI serves as a channel for transferring advanced technology and expertise across borders.One of the key ways FDI influences economies is through multinational corporations adopting and applying the latest technologies in their industries (Yusuf et al., 2020). These corporations invest heavily in research and development to maintain a competitive edge in the global market. Findlay (1978) introduced the idea of a "contagion effect," where foreign firms bring in advanced technology and management practices that gradually spread throughout the host country, driving technical progress. Expanding on this, Wang and Bloomstrom (1992) integrated FDI into the neoclassical growth model, suggesting that economic growth closely depends on FDI-driven knowledge transfer.

The role of FDI in accelerating economic development, particularly in emerging economies, cannot be overstated. Hodrab, Mansoor, Tomšík, and Benešová (2015) highlight FDI's ability to stimulate growth through improvements in the investment climate. Similarly, Falki (2009) argues that FDI strengthens economic development in developing nations through increased domestic investment, capital formation, and technology transfer. These processes generate employment, enhance productivity, expand exports, and promote knowledge sharing. Looking at historical trends, Okwu et al. (2020) point out how FDI played a crucial role in the post-World War II economic recovery of Japan and South Korea. Foreign investments gave these nations access to advanced skills, technology, and managerial expertise, fueling rapid development.

Nigeria's experience with FDI has been complex. Initially shaped by colonial interests, its FDI landscape changed significantly after the discovery of oil. However, instability has remained a defining characteristic of Nigeria's FDI trends (Yusuf et al., 2020). Recognizing FDI's potential to drive economic growth, successive Nigerian governments have introduced various incentives and regulatory measures to attract foreign investment. A key aspect of this effort involves capital expenditure spending on infrastructure, asset acquisition, and other long-term investments that support economic development.

Despite the clear link between FDI and economic growth, one important question remains: How does FDI influence government capital expenditure in Nigeria? This critical gap in knowledge forms the foundation of this study, which aims to explore the intricate relationship between FDI and capital expenditure. Examining this issue will provide valuable insights that help policymakers and economists make informed decisions.

Statement of the Problem

Foreign direct investment (FDI) is a crucial instrument for economic growth and development, as it supplements domestic investment and facilitates sustained growth. Alongside FDI, remittance inflows play a significant role by providing foreign exchange earnings that can stabilize the balance

of payments and fund imports. By enhancing domestic investments, FDI can indirectly or directly boost infrastructure growth in Nigeria, leading to increased government capital expenditure. This, in turn, improves the standard of living for Nigerians by ensuring adequate infrastructure. However, despite the potential benefits of FDI and remittances, Nigeria faces significant challenges, including capital flight and stagnation, which undermine the nation's economic prospects.

Nigeria, Africa's largest economy and a key player in the global market, struggles with a severe infrastructure deficit that hampers economic growth and development. This deficit affects the country's ability to enhance the quality of life for its citizens, as evidenced by the poor state of roads, railroads, airports, and communication networks. According to the IMF Country Report (2020), the road system, which is vital for transporting 95 percent of the nation's goods and passengers, is in disrepair due to poor maintenance and heavy traffic. The resulting massive traffic jams, frequent accidents, and delays in goods movement highlight the urgent need for infrastructural improvement. Similar issues plague the country's hospitals and schools, reflecting a broader decline in infrastructural development despite substantial foreign funds. Consequently, this study examines the effect of FDI on government capital expenditure in Nigeria, seeking to understand how these investments can be better leveraged to address the nation's infrastructure challenges. In a bid to achieve this primary objective, the study specifically examined the effect of foreign direct investment inflows and foreign direct investment outflows on government capital expenditure in Nigeria.

REVIEW OF RELATED LITERATURE

Foreign Direct Investment

To combat unemployment and stagnant economic growth, the government has introduced initiatives such as foreign investment, which is crucial for economic growth (Michael & Rufaro, 2020; Quoc et al., 2021). This research focuses on Foreign Direct Investment (FDI), defined by the World Bank as an investment made by a foreign investor for full ownership in a host country, aimed at managing acquired assets (World Trade Organization, 2020). FDI is considered an attractive equity-based form of financing (Awe, 2013) and is vital for the economic development of developing countries (Sam et al., 2021; Wang et al., 2021). In Nigeria, FDI is prominent in the oil and non-oil sectors through Multinational Corporations (Todaro & Smith, 2003). FDI enhances economic output, raises living standards, and supports balance of payment, employment, and growth (Timsina, 2014; Gbosi, 2002). It serves as a catalyst for economic development by generating employment, expanding exports, building capacity, and advancing technology (Okeke et al., 2014). Studies show mixed results on FDI's impact on economic growth, with some indicating positive effects (Jugurnath et al., 2016; Nguyen, 2020; Dinh et al., 2019; Joshua et al., 2021), and others finding an insignificant relationship (Katerina et al., 2004; Louzi & Abadi, 2011).

Foreign Direct Investment Inflows

Foreign Direct Investment (FDI) can be categorized into inflows and outflows. FDI inflows refer to the investment made by foreign entities into domestic businesses and assets of a host country. These investments are crucial for economic growth as they bring in capital, technology, and expertise, potentially boosting productivity and creating jobs. FDI inflows are often associated with multinational corporations establishing operations in sectors like manufacturing, services, and

natural resources. For example, in Nigeria, FDI inflows are significant in both the oil and non-oil sectors, contributing to economic development by enhancing technological capabilities, expanding the export base, and generating employment (Todaro & Smith, 2003; Okeke et al., 2014).

Foreign Direct Investment Outflows

FDI outflows involve investments made by domestic entities into businesses and assets located in foreign countries. These outflows enable domestic companies to expand their operations internationally, access new markets, and acquire resources or strategic assets abroad. While FDI outflows might seem like a drain of domestic capital, they can also lead to increased global competitiveness and profits that benefit the home country through repatriated earnings and improved economic ties.

Both FDI inflows and outflows play significant roles in the global economy. Inflows bring much-needed capital and innovation to developing countries, aiding their economic growth and development, while outflows allow companies from developed and developing nations alike to diversify their portfolios and enhance their global footprint. Studies show that effective management and favorable regulatory conditions are essential to maximizing the benefits of both FDI inflows and outflows for economic growth and development (Michael & Rufaro, 2020; Quoc et al., 2021; Wang et al., 2021).

Government Capital Expenditure

According to Aigheyisi (2013), public expenditure refers to the expenses incurred by a government to maintain itself and provide goods and services that foster economic growth and improve societal welfare. By providing social amenities, the government enhances the citizens' quality of life and stimulates economic growth. Government expenditure can be broadly categorized into capital and recurrent expenditure. Capital expenditure involves spending on the acquisition and improvement of non-current (productive) assets, such as land, buildings, roads, machinery, and equipment, whose useful life extends beyond the fiscal year. This category also includes intangible assets and research expenditures. Capital expenditure is typically seen as creating future benefits, with a potential lag between the time of expenditure and its economic impact.

Theoretical Framework

The study is anchored on the Gravity Approach to Foreign Direct Investment (FDI) theory, which is an extension of the gravity model in international trade theory. The gravity model, initially developed by economists Jan Tinbergen and Ragnar Nurkse in the 1960s, explains trade flows between countries based on factors like economic size and distance. Similarly, the Gravity Approach to FDI theory seeks to explain and predict FDI flows between countries by considering their economic size, distance, and other relevant factors. The gravity model has been successfully used to analyze various bilateral flows such as trade, migration, remittances, and FDI, taking into account common borders, languages, legal systems, currencies, and colonial legacies. It has been employed to test the effectiveness of trade agreements and organizations like NAFTA and the WTO, and to evaluate the impact of treaties and alliances on trade (Head & Mayer, 2014). Although initially lacking theoretical justification, the gravity model's empirical success in predicting trade flows has been recognized. In contrast to capital market theory, which links FDI levels to prevailing interest rates and macroeconomic conditions, the Gravity Approach to FDI theory posits that FDI

flows are influenced by the proximity of countries. The closer two countries are geographically, economically, and culturally, the higher the FDI flow between them, making this approach a suitable framework for the study.

Empirical Review

Jibir and Abdu (2017) examined the paradigm 'FDI-led growth' using data from the Central Bank of Nigeria spanning 1970 to 2014, employing the Vector Error Correction Model and Granger Wald test. Their analysis revealed a steady long-run relationship between FDI and output in Nigeria, with unidirectional causality running from trade openness to per capita income, indicating economic growth, but no short-run causality between FDI and economic growth.Akpan and Eweke (2017) explored the impact of FDI and industrial sector performance on Nigeria's economic growth from 1981 to 2015, using Impulse Response Functions (IRFs) and Variance Decomposition (VDC) techniques within a Vector Autoregressive (VAR) framework. Their results showed that FDI and industrial sector output significantly positively impact GDP. Nwosa (2018) found that FDI had a negative and significant impact on industrialization in Nigeria from 1970 to 2016, using error correction modeling, concluding that FDI had a detrimental rather than beneficial effect on industrial growth.

Alabi (2019), using data from 1986 to 2017, revealed that a unit increase in FDI increases GDP by 0.633506, with the real interest rate and domestic investment also positively affecting GDP. Anetor (2019) used the ARDL model to analyze remittances, financial sector development, and economic growth from 1981 to 2017, finding that remittances and financial sector development negatively impacted economic growth in both the short and long run. Okegbe, et al. (2019) showed that FDI in the financial, oil, and non-oil sectors positively and significantly impacted Nigeria's GDP from 2000 to 2017.

Adekunle et al. (2019) demonstrated that FDI significantly positively affects domestic investment, while exchange rate and energy infrastructure have positive but non-significant effects. Adegboye et al. (2020) revealed that the quality of institutions significantly affects FDI inflows and economic development in SSA, emphasizing the underutilization of domestic resources. Osabohien et al. (2020) found a statistically significant positive relationship between FDI and employment in Nigeria using FMOLS and Johansen co-integration. Giwa et al. (2020) identified that labor quality positively impacts RGDP, while capital intensity has a significant negative effect.

Opeyemi (2020) confirmed FDI's positive impact on economic growth across five African countries, except Egypt, where inflation negatively affected growth. Okwu et al. (2020) showed mixed growth effects of FDI across 30 global economies from 1998 to 2017, with FDI positively affecting economic growth. Yusuf et al. (2020) found a long-run positive relationship between FDI and economic growth in West Africa, with a 1% increase in FDI inflow resulting in a 0.26% growth increase, despite political instability negatively impacting growth. Chowdhury and Chowdhury (2022) identified a significant positive impact of FDI and renewable energy consumption on economic progress in South Asian countries, with FDI negatively impacting economic progress.
Abbas (2022) evaluated the effects of religious freedom and foreign direct investment on economic growth in Pakistan, India, Bangladesh, and Sri Lanka using panel data from 1990-2016, analyzed with Two-Stage Least Squares (2SLS) and Three-Stage Least Squares (3SLS) regression. Findings

indicated that increased religious freedom boosts economic activity and growth, with FDI positively influencing growth in these countries. Similarly, Ntamwiza and Masengesho (2022) investigated economic growth determinants in Rwanda using time series data from 1990-2017, analyzed with multiple regression, revealing short- and long-run positive relationships between capital formation, FDI, and GDP, with capital formation significantly boosting GDP in the long run. These studies underscore the pivotal role of FDI and related factors in enhancing economic growth across different regions.

Ostic et al. (2022) assessed the impact of oil and gas trading, FDI inflows, and economic growth on carbon emissions for OPEC countries using FMOLS and GMM estimators on data from 2000-2018. They found a positive but insignificant relationship between oil exports and carbon emissions, a significant negative relationship between FDI inflows and carbon emissions, and a positive significant relationship between economic growth and carbon emissions. This contrasts with Olasehinde and Ajayi (2022), who examined FDI and economic growth in Nigeria (1981-2020) using the ARDL Bound technique, revealing a significant long-run relationship between FDI, real exchange rates, and GDP, with positive impacts from FDI and exchange rates and bidirectional causality between FDI and GDP. Their findings highlight the substantial contribution of FDI and exchange rates to Nigeria's economic growth, paralleling the insights of Ostic et al. on the environmental and growth dynamics of FDI inflows.

Moreover, et al. (2022) evaluated trade openness, FDI, and economic growth in Nigeria (1986-2021) using the Solow growth model and ARDL analysis, finding that non-oil exports significantly boost growth, while oil exports are insignificantly positive. They noted that FDI is positively but insignificantly related to growth, with no long-run equilibrium between the variables. Onabote et al. (2022), using the ARDL technique, explored the relationship between exchange rate, FDI, and economic growth in Nigeria (1981-2018), confirming a long-run relationship, with FDI positively contributing to growth and a significant adjustment speed of 78.46%. These studies collectively emphasize the complex interactions between trade components, exchange rates, and FDI in driving economic growth, with significant implications for policy and economic strategy.

Haruna et al. (2023) investigated the linear and non-linear impact of FDI on poverty in Nigeria from 1980 to 2019 using ARDL and NARDL estimators. Their findings indicate that FDI significantly reduces poverty in both the short and long run, with positive and negative FDI shocks contributing to poverty reduction. Similarly, Nkoro and Uko (2023) examined FDI's direct and indirect effects on poverty reduction in Nigeria from 1981 to 2019 using the ARDL framework. Their results suggest that while FDI indirectly reduces poverty by stimulating economic growth, it directly exacerbates poverty through low wages and job losses. Additionally, Mawutor et al. (2023) analyzed the effect of FDI, exchange rates, remittances, and imports on Ghana's economic growth from 1980 to 2018 using ARDL. Their study confirms that these variables, particularly FDI, play a crucial role in driving economic growth.

Gap in Empirical Review

The existing empirical literature reviewed in this study overlooked certain aspects of foreign direct investment (FDI) in assessing their combined and individual impacts on government capital expenditure in Nigeria. Furthermore, a notable observation is that most of the reviewed studies

concluded in 2017, rendering them three years out of date. Consequently, this study aimed to address these gaps by extending the research period to 2021, thereby bridging the temporal disparity and providing more up-to-date insights.

METHODOLOGY

The study used an ex-post-facto research design to investigate the impact of foreign direct investment (FDI) on government capital expenditure in Nigeria, leveraging historical data. It was conducted within Nigeria, covering the period from 1991 to 2021, using secondary data from the Central Bank of Nigeria Statistical Bulletin and the World Bank Database. The study focused on various revenue sources, including exports, oil revenue, FDI inflows, remittances, external debt, and foreign aids, to understand their influence on Nigeria's economic growth. The sample was specifically narrowed to examine the effects of FDI inflows and outflows on government capital expenditure, allowing for a focused analysis of their relationship. Ordinary least square multiple regression technique was used as the underlying statistical tool for data analysis. Multiple regression was used because regression is used to ascertain the effect of the explanatory variables on the focal variable.

Model Specification

The model is specified as follows:

$TGCE_{t\,i} = \beta_o + \beta_1\, FDII_t + \beta_2 FDIOt + \beta_3 RMTI_t + Ɛ_t$ - - - [Equation (1)]

Where;

TGCE	= Total Government Capital Expenditure
FDII	= Foreign Direct Investment Inflows
FDIO	= Foreign Direct Investment Outflows
RMTI	= Remittance Inflows (Control Variable)
Ɛ	= Stochastic disturbance (Error) Term
β_o	= Coefficient (constant) to be estimated
$\beta_i - \beta_3$	= Parameters of the independent variables to be estimated
t	= Current period

DATA PRESENTATION AND ANALYSIS

Table 4.2.1: Descriptive Statistics for the Focal and Explanatory Variables

	LOG(TGCE)	LOG(FDII)	LOG(FDIO)	LOG(RMTI)
Mean	5.813241	5.065307	3.513932	5.187272
Median	6.210660	5.557368	3.073619	5.710493
Maximum	7.735870	7.215468	6.128658	8.914789
Minimum	2.710048	1.553925	0.652325	-2.590267
Std. Dev.	1.325545	1.985610	1.821498	3.492000
Skewness	-0.874986	-0.548512	0.003563	-0.781980
Kurtosis	2.790517	1.703310	1.525904	2.484444
Jarque-Bera	4.012285	3.726284	2.806804	3.502705
Probability	0.134507	0.155184	0.245759	0.173539
Sum	180.2105	157.0245	108.9319	160.8054
Sum Sq. Dev.	52.71206	118.2794	99.53561	365.8220
Observations	31	31	31	31

Source: Eviews 10.0 Statistical Software

The normality of the distribution of the logged data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From the Table 4.2.1, the probability of the Jarque-Bera Statistics for all the variables have an insignificant p-values as follows Government capital expenditure (0.134507), Foreign Direct Investment Inflows (0.155184), Foreign Direct Investment Outflows (0.245759), and Remittance Inflows (0.173539). The insignificant p-values depicts that the variables are normally distributed. This was further confirmed by the skewness coefficients which are less than one with the following outcomes Government capital expenditure (0.874986), Foreign Direct Investment Inflows (0.548512), Foreign Direct Investment Outflows (0.003563), and Remittance Inflows (0.781980). The kurtosis coefficient also confirmed that all the variables are not normally distributed with coefficients that are above three.

Table 4.2.2: Regression Analysis Result

Dependent Variable: LOG(TGCE)
Method: Least Squares
Date: 07/12/23 Time: 07:21
Sample: 1991 2021
Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(FDII)	0.347222	0.115147	3.015457	0.0055
LOG(FDIO)	0.062088	0.073877	0.840423	0.4081
LOG(RMTI)	0.518436	0.062649	8.275284	0.0000
C	4.664586	0.278791	16.73148	0.0000

R-squared	0.920995	Mean dependent var	5.813241
Adjusted R-squared	0.912217	S.D. dependent var	1.325545
S.E. of regression	0.392735	Akaike info criterion	1.088549
Sum squared resid	4.164492	Schwarz criterion	1.273579
Log likelihood	-12.87251	Hannan-Quinn criter.	1.148864
F-statistic	104.9175	Durbin-Watson stat	1.196898
Prob(F-statistic)	0.000000		

Source: Eviews 10.0 Statistical Software

Table 4.2.2 reveals that Foreign Direct Investment Inflows have a positive (Coefficient 0.347222) and significant effect (p-value 0.0055) on Government capital expenditure. Foreign Direct Investment Outflows was found to have a positive (Coefficient 0.062088) but insignificant effect (p-value 0.4081) on Government capital expenditure. On the effect of Remittance Inflows on Government capital expenditure, Remittance Inflows was revealed to exert a positive (Coefficient 0.518436) and significant (p-value 0.0000) effect on Government capital expenditure. The adjusted R-squared (R^2) indicated that about 91% of the changes in Government capital expenditure are accounted for by the explanatory variables (Foreign Direct Investment Inflows, Foreign Direct Investment Outflows, and Remittance Inflows). The remaining 9% could be explained by other factors capable of influencing Government capital expenditure in Nigeria and other remote factors captured by the error term. The probability of the F-statistic (0.000000) is significant which shows the statistical fitness of the multiple regression model and the results, by extension. There is an

absence of serial autocorrelation in the panel data extracted from World Bank Database and Central Bank of Nigeria Statistical Bulletin as suggested by Durbin-Watson stat of 1.887072.

Test of Hypotheses

The three testable hypotheses formulated in section one to ascertain the effect of foreign direct investment on government capital expenditure in Nigeria was subjected to empirical testing drawing from the results of the inferential statistical analyses.

Decision Rule: Reject H_0 if the P-value tabulated is less than the Alpha value calculated (0.05), and accepts the null hypotheses if reverse becomes the case.

Hypothesis One

H_0 Foreign direct investment inflows do not significantly affect government capital expenditure in Nigeria.

H_1 Foreign direct investment inflows have a significant effect on government capital expenditure in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.0055 is < 0.05 A-value. Therefore, the null hypothesis is rejected and the alternate hypotheses accepted. This implies that foreign direct investment inflows have a significant effect on government capital expenditure in Nigeria.

Hypothesis Two

H_0 Foreign direct investment outflows do not significantly affect government capital expenditure in Nigeria.

H_1 Foreign direct investment outflows have a significant effect on government capital expenditure in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.4081 is > 0.05 Alpha value. Therefore, the null hypothesis is accepted and the alternate hypotheses rejected. This implies that foreign direct investment outflows have an insignificant effect on government capital expenditure in Nigeria.

DISCUSSION OF FINDINGS

Hypothesis One: The panel multiple regression analysis conducted in this study supports hypothesis one, revealing a positive and significant effect of foreign direct investment (FDI) inflows on government capital expenditure in Nigeria. This finding suggests that as FDI inflows increase, there is a substantial increase in government capital expenditure. The positive effect of FDI inflows on government capital expenditure aligns with the anticipated benefits that come with foreign direct investment in an economy. FDI brings numerous advantages, and an increase in government capital expenditure is confirmed to be one of them. This result is consistent with previous studies conducted by Izuchukwu and Huiping (2011); Maji and Odoba (2011); Okegbe, et al. (2019); Giwa, et al. (2020); and Adekunle, et al. (2019). These studies also found a positive relationship between foreign direct investment and economic growth, indicating that FDI inflows can have a significant impact on various aspects of an economy. Specifically, FDI is often associated with the transfer of technology, enhancement of human capital, and improvement of infrastructure, all of which contribute to the overall economic development.

The influx of FDI can lead to increased government revenues through taxation and other forms of economic participation by foreign investors. These additional resources can be allocated towards

capital expenditures such as the construction of roads, schools, hospitals, and other critical infrastructure projects. Such investments not only improve the quality of public services but also create a conducive environment for further investment and economic activity, thereby generating a virtuous cycle of growth and development. Moreover, FDI can stimulate domestic investment by increasing competition and efficiency within the local economy. The presence of multinational corporations can lead to the adoption of best practices and innovations, raising the productivity levels of domestic firms. This can further encourage the government to invest in capital projects that support these industries, such as improving transportation networks, energy supply, and communication infrastructure.

Hypothesis Two: The findings of hypothesis two indicate that there is a positive but insignificant effect of foreign direct investment (FDI) inflows on government capital expenditure in Nigeria. This suggests that while an increase in FDI is associated with a rise in government capital expenditure, the relationship lacks statistical significance. One potential explanation for this result could be the influence of financial returns on investment abroad. Successful FDI ventures often generate financial gains for the investing firms, either through profits earned overseas or other earnings. These gains can directly or indirectly impact government capital expenditure in a positive manner. However, despite this positive relationship, the lack of statistical significance suggests that the effect may not be strong enough to be considered significant within the study's sample. This finding is consistent with similar studies conducted by Osabohien, et al. (2020), Giwa, et al. (2020), and Adekunle, et al. (2019), which also found a positive relationship between foreign direct investment and economic growth. While these studies established the positive impact of FDI on economic growth, it is important to note that the insignificant effect found in the current study pertains specifically to government capital expenditure.

CONCLUSION AND RECOMMENDATIONS

Based on the data analysis conducted using multiple regression techniques, several conclusions can be drawn regarding the relationship between foreign direct investment (FDI), remittance inflows, and government capital expenditure in Nigeria. Firstly, the analysis revealed that foreign direct investment inflows have a positive but insignificant effect on government capital expenditure in Nigeria. This implies that while there is a positive relationship between FDI inflows and government capital expenditure, the effect is not statistically significant within the studied sample. Secondly, the findings indicate that foreign direct investment outflows also have a positive but insignificant effect on government capital expenditure in Nigeria. This suggests that despite the positive relationship, the impact of FDI outflows on government capital expenditure is not statistically significant.

In contrast, the analysis demonstrates that remittance inflows have a positive and significant effect on government capital expenditure in Nigeria. This implies that as remittances increase, there is a corresponding significant increase in government capital expenditure. Furthermore, the results indicate that approximately 91% of the variations in government capital expenditure can be explained by the explanatory variables (FDI inflows, FDI outflows, and remittance inflows). This high level of explanation underscores the importance of these factors in influencing government capital expenditure in Nigeria.

The researcher concludes that while foreign direct investment inflows and outflows have positive effects on government capital expenditure, they are statistically insignificant. On the other hand, remittance inflows have a significant impact on government capital expenditure in Nigeria. The substantial explanatory power of the studied variables highlights their significance in understanding and predicting changes in government capital expenditure.

The researcher made the following recommendations:

i. The government should prioritize creating an enabling environment for investment. This includes addressing the issue of insecurity by providing adequate security measures. Enhancing the safety and stability of the nation will help attract foreign investors who seek a secure environment for their investments. This can be achieved through increased investment in security infrastructure, law enforcement, and effective intelligence gathering.
ii. The government should actively encourage and support Nigerian citizens in seeking investment opportunities both within and outside the country. By promoting and facilitating investment ventures that have the potential to yield maximum returns for Nigeria, the government can foster economic growth and development. This can be done through targeted investment promotion campaigns, providing access to investment information and resources, and offering incentives for domestic investment.

Contribution to Knowledge

This study makes a significant contribution to the existing body of knowledge by examining the impact of foreign direct investment (FDI) on government capital expenditure in Nigeria. A noteworthy aspect of this study is that it addresses gaps in the literature by considering both elements of FDI and remittances, and their collective and individual effects on government capital expenditure. Prior studies have largely neglected this comprehensive analysis.

Additionally, the study addresses a temporal gap in the literature by extending the research period to 2021. This is crucial because many of the previous studies concluded in 2017, rendering them outdated by three years. By incorporating recent data, this study provides more up-to-date insights into the relationship between FDI and government capital expenditure in Nigeria.

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