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### RESEARCH ARTICLE

## THE IMPACT OF FOREIGN TRADE AND FOREIGN AID: STRATEGIES FOR LONG TERM ECONOMIC DEVELOPMENT IN NIGERIA WITHIN 2000 TO 2021

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### Abstract

The research study is to compare the impact of Foreign Trade and Foreign Aid on the economic development of Nigeria and to also measure the impact of other economic growth variables on one another and on the growth of the country. This study uncovered the historical background of foreign trade and foreign aid, types of trades and types of aid as well as their sole purposes to beneficiaries. The quantitative research method was employed on secondary economic data collection from the Central Bank of Nigeria (CBN) annual report, National Bureau of Statistic (NBS) bulletins, World Bank Annual report, United Nation Reports and other related research study within the year 2000 to 2021. The economic indexes that was analysed under this research study were Gross Domestic Product (GDP) as dependent variable, while Foreign Direct Investment (FDI), Official Development Assistance (ODA), Annual export and annual import of Nigeria, as well as the employment rate and inflation rate of the country. The study revealed that Foreign investment in Nigeria only does not guaranty economic growth and development of the country, Foreign aid as well as other economic indicators complement Foreign trade to achieve the economic development in Nigeria. Therefore, the recommendation after the research study is that the government social policies, the foreign trade policies and the foreign aid policies should align with the overall economic policies of the country.

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### Introduction: -

Foreign Trade and foreign aid are key mechanism through which developing countries interact with developed countries in order to improve their socio – economic standards of living by the provision of employment, security, infrastructure and improved standard of living of the recipients. These are means of capital formation for developing countries which brings economic development to beneficiaries at varying periods.

Foreign Trade is simply the exchange of goods and services across borders or between nations of the world. This is an economic activity that involve two or more countries or merchants trading amongst themselves. While foreign aid is simply a support or complementary system where developed countries assist underdeveloped countries with

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the necessities that the recipient countries need. Both activities objectives are to better the living standard of the recipient countries.

The two major external inflows have influence on the recipient nation's economic development considering the various objectives of these external inflows. The foreign inflows are either foreign trade or foreign aid, and they come to the recipient countries either in form of cash or kind, which could be items or services or financials but the major objective is to potentially improve the socio – economic standard of the recipients.

Foreign trade has been one of the ways through which countries actualise their potential internationally, especially developing countries. (Demir, M. A., & Sepli, A., 2017). Although Nigeria as a country is blessed with abundant natural resources especially oil, which has made the country a major global player economically. But it cannot achieve her full potential without engaging in foreign trade with other countries. As such, the country has striven to expand her export trade in order to boost her foreign exchange inflow through the diversification of the nation's economy by including manufactured products, agricultural products and other non-oil products apart into her international trade products. However, it has not been easy due to factors such as poor government policies implementation, poor infrastructural facilities, unavailable skilled manpower, high insecurity in some states of the country, tribal and religious conflicts within country to mention a few, which has held the country bound to achievement of her potentials. While in comparison, foreign aid has come as complementary factor to assist in the development and growth of countries (Bräutigam, D. A., & Knack, S., 2004). Its major objective is poverty alleviation, creation of better life style by the provision of better education, healthcare services, security in the nation and employment. But on the contrary, Nigeria continues to struggle economically. This is due to the state of the country, which is high unemployment level, low standard of living and infrastructural deficits.

Foreign aids otherwise known as Official Development Assistance (ODA), provides assistance to countries identified as developing economies in need of support in welfare and social infrastructure such as water supply, education, health, sanitation, security, transportation, among others, with the aim to improve the recipient countries human development as well as to enhance sustainable economic growth (Kolawole, 2013; Arshad, Zaid & Latif, 2014; Fasanya & Onakoya, 2012; Maria & Ezenekwe, 2015; Yiew & Lau, 2018; Fashina, Asalaye, Ogunjobi & Lawal, 2018). These problems have continued to be a subject of debate among economists, financial analysts, public administrators, accountants, researchers and other related professionals, even ordinary citizens suggest that the foreign aid and foreign trade may not be effectively contributing to the desired developmental outcomes as a result of the following factors such as mismanagement of economic resources, corruption at all levels, and a lack of alignment between aid programs and national priorities. To enhance the impact of trade or aid, the article recommends that the institutional framework be strengthened, ensuring transparency amongst players in the economy, and aligning aid initiatives with the country's strategic development goals. This alignment is crucial for translating financial inflows into tangible socio-economic development.

### **Background of Foreign Trade and Foreign Aid**

Foreign trade and foreign aid play very important roles in the development and growth of nation's economy, particularly developing economies like Nigeria, Ghana, Cameroun etc. These activities normally involve merchants or individuals or organisations of different countries or the government of different countries. This can be economical if it is trade or humanitarian if it is aid. But, both contribute to the economic growth, structural transformation, and poverty alleviation of the citizens of nations involves as well as providing access to capital, technology, and international relationship between parties involved. Research has been on going on the nexus between foreign trade, foreign aid and economic development and the study of Arndt, Jones and Tarp (2007) agreed that the growth in private and foreign investment has led to a valuable governance and economic control problems. While, Burnside and Dollar (1997) found that there exists a link between foreign assistance and economic development only when there are strict regulation or control at the appropriate time and in a well-established policy environment. Meaning that where there exist a good economic policies foreign aid will impact on economic development (Collier & Dollar, 2000). But, this is contrary to (Kolawole, 2013; Bakere, 2011; and Amassoma & Mbah, 2014) who opined that foreign aid is harmful to economic growth in Nigeria, but they did not specify which type of aid were harmful. Also Whitaker (2006) findings reveal that despite the large aid inflow from developed countries to under-developed countries there isn't any significant change in the economic development of the developing countries.

The principle of foreign trade is based on David Ricardo's economic theory of comparative advantage (1817) which explains that countries trade with each other in goods and services because of the concept of differentials in the natural resources, human capital, financial capital and technical capabilities of nations. This theory was later divided into two the classical theory which explains that a country will tend to export the commodity whose comparative cost is higher in pre-trade isolation. Given the assumption of constant cost, a country will specialise completely in the production of commodity in which it has comparative advantage and in turn export such commodity or product. While the second the neo-classical (modern) theory is an advancement and a more satisfactory theory whose explanation for the existence of comparative cost differences between countries: introduced capital as the second factor of production and allowed for international differences in the pattern of demand. The introduction of the, second factor of production proves very important. Thereby introducing theory such as The Heckscher-Ohlin theory which postulates that trade arises from differences in comparative cost that in turn arise from inter-country differences in relative factor endowments (or relative factor abundance) are the most important single cause of international difference in price structures. According to the theory, a nation should produce and export a product for which the large amount of the relative abundance resources is used. Such country should import the commodity in which a great deal of its relative scarce and expensive factors is used. The sole purpose is for mutual gains to all parties involved. It allows trade liberalisation which encourage countries specialisation leading to increased production efficiency and economic expansion. In Nigeria, foreign trade has been a major contributor of foreign exchange through the export of natural gas and crude oil for economic gains, while the import of essential goods such as machinery, refined petroleum products, and consumer goods. Traders engage in economic activities for the purpose of the profit maximization engendered from differentials among international economic environment of nations (Adedeji, 2006). Some of the scholars that have studied related topics are;

Adesuyi and Odeloye (2013) investigated foreign trade and economic growth in Nigeria between 1980 and 2010 using the Ordinary Least Square method to analyse the data. The result shows that Non-oil export value, Non-oil import value and Oil export value are positively related to GDP for the period under the study.

Arodoye and Iyoha (2014) examined the relationship between foreign trade and economic growth nexus with evidence from Nigeria using VAR model to analyze time series data for 1981- 2010. The results show that there is a stable, long-run relationship between foreign trade and economic growth. Also, the variance decomposition results show that the predominant sources of Nigeria economic growth variation are due largely to “own shocks” and foreign trade innovations.

Adegboyega, Raymond Rahaj (2017) studied the impact of import and export trade on economic growth in Nigeria using VAR model to analyze time series data from 1981-2017. The results show that there is a stable, long-run relationship between import and export trade on the economic growth. Also, the variance decomposition results the study agreed that government should always embark on policies that will encourage exports with proper implementation of import control measures.

Foreign aid whose history trace back to the Bretton Woods System in 1944, which envisioned a free flow of capital from advanced nations to under developed ones (Helleiner, 2014; Kahn, 2015) after the world war II approximately \$17.5 billion was contributed to Europe for reconstruction, and it was in different forms (e.g. social and economic infrastructure aid, industry aid, health aid and educational aid.), however, the principle of foreign aid is based on the theory of humanitarian intervention and international transfer of capital, goods, or services from a country or international organization for the benefit of the recipient country or its population, which could be economic, military, or emergency driven (due to the following reasons either natural disasters, wars etc). This theory was propounded by Hugo Grotius, a brilliant Dutch scholar and diplomat in the seventeenth-century, whose writings have left an indelible mark on international law based on two laws which are the law of wars and peace. (Hugo Grotius, 1814). To further review the foreign aid theory other theories were propounded to support the condition affecting the beneficiaries of foreign aid such as the Public interest theory, New growth theory, Public choice theory and The Two Gap Model theory. These theories are explained below:

New Growth Theory or Endogenous growth theory was postulated in 1990s and the model explained that technological change has not been equal nor has it been externaleffect in most developing countries (World Bank 2000). It emphasizes that economic growth results from increasing returns to the use of knowledge rather than labour and capital. The theory argues that the higher rate of returns is expected to be complemented by investments

in human capital (education), infrastructure, or research and development (R&D) for economic development to be achieved. Therefore, knowledge is important for economic development.

Public Choice theory contends that foreign aid is ineffective and possibly damaging to beneficiary countries (Bauer, 2000; Easterly, 2002). The recent research studies have shown that foreign assistance has no effect on development or any of the other indicators of poverty thus supporting the public choice theory proposition (Djankov, 2008; Williamson, 2008; Brumm, 2003; Svensson, 2000; Boone, 1996). Anwar (2000) stated that according to Public Choice Theory, all political decision making processes reflect the interaction of different utility maximizing actors: politicians, voters, bureaucrats and interest groups and not economic decision. Therefore, foreign aid is giving to poor or developing countries not to improve the economic well-being of the beneficiary countries but to re-assure their political position for the next election (Landau, 1990).

The Two Gap Model is the trade gap or foreign exchange gap, this gap states that foreign aid fills the gap of required import spending and actual export earnings. It is also assumed that both imports and exports are linearly dependent on income and there is a target rate of income. It also argued that either the trade gap or the foreign exchange gap is binding on developing countries and foreign aid helps to fill either of the gaps. Foreign aid would not increase investment if there is little or no incentives for investment and if the productivity of such investments is questionable since the flows would go for consumption rather than investment (White, 1992).

The public interest theory is a concept in welfare economics that provides theoretical justifications for regulation (Den Hertog, 2000; Aranson, 1990). It seeks to explain that protection and benefit of the public at large is the sole purpose of aid and not for the purpose of economic development. The public interest theory argues that foreign aid is necessary to fill a financing or investment gap, and this will in turn lift countries out of the so-called poverty trap (Sachs, 2005).

Foreign aid has played very important role in funding critical sectors such as healthcare, education, and infrastructure. However, heavy dependence on foreign aid can create economic distortions, encourage corruption, and affect domestic policy reforms, but it is Importance in addressing urgent developmental needs, particularly in times of economic downturns or natural disasters.

### **Overview of Nigeria's Economic Development**

Nigeria, being one of Africa's largest economy, is surrounded by large taped and untapped natural resources wealth. The country suffers unstable government policies, undue external influences, and structural challenges. Despite the country's potential, the nation continues to suffer a lot of challenges with issues such as poverty, unemployment, infrastructural deficits, insecurity, poor government policies and economic instability. Therefore, Conchesta (2008) stated that apart from the two gap model explained above, there are factors limiting growth in aid dependent countries and they include low levels of technology, education, poor infrastructure, increased growth in population, high interests paid on debts and political instability evident in some developing countries. Despite all these shortfall, due to its vast natural resources the country has enjoyed so many foreign investors and foreign aids, even before gaining independence in 1960. The Nigeria's economy has undergone significant transformations. Initially, agriculture sector was the backbone of the economy, contributing substantially to employment and exports. However, the discovery of crude oil in the late 1950s and its subsequent boom in the 1970s shifted the country's economic focus toward the petroleum sector. This shift led to increased government revenues and large-scale public sector investments in infrastructure, education, and health. However, it also resulted in economic distortions, including the neglect of agriculture sector and manufacturing sector—a phenomenon known as the "Dutch disease." When global oil prices collapsed in the 1980s, Nigeria was faced with this economic crises, which led to heavy borrowing from international financial bodies and dependence on foreign assistance and aid. This poor economic state of the country, where the country could no longer maintain her high expenditures due to poor government policies, made the country to embark on financial policy in order to cut down cost of governance, therefore structural adjustment programs (SAPs) was initiated by the Government based on International Monetary Fund (IMF) and the World Bank advise and was implemented in 1986 as the way out of the country financial depression. Since then the country has been growing in debt thus; For instance, an investigation of Nigeria's external debt profile from June 2015 by the International Centre for Investigative Reporting (ICIR) revealed that President Muhammad Buhari's administration inherited a national foreign debt of \$10.3 billion in June 2015 from President Goodluck Jonathan's administration (Abolade, 2019). However, the country's loan afterwards rose to \$11.3 billion by 30th June 2016. This corresponds to a 9.2 per cent rise in the country's national debt a year later, in June 2017, it increased from \$11.3 billion to \$15.0 billion corresponding to a total of 33.6 per cent rise compared to the 2016 figures (Abolade, 2019). Then a year later again in 2018, the Nigeria external debt moved to \$22.1 billion from

\$15.0 billion in June, 2015. This represented a 46.8 per cent rise in foreign debt. The external debt increased again in June 2019 to \$27.2 billion, which is 23.0 per cent rise in the year. Therefore, the country's foreign debt cumulated from June 30, 2015 to June 30, 2019 was 163.2 per cent increase, covering the first four- year tenure of Buhari's Administration (Abolade, 2019). Considering this fact, we can see that no matter the level of foreign aid attracted due to humanitarian reasons it will be difficult for the country to be afloat economically.

### **Some Key Sectors of Nigeria's Economy**

#### **Oil and Gas:**

Since the discovery of petroleum and crude oil in the late 1950s, the petroleum industry remains the dominant sector, accounting for a highest portion of government revenue and foreign exchange earnings in Nigeria. However, its volatility and the need for diversification have highlighted the risks of overdependence on crude oil, considering the experience of the 1980s. Therefore, successive government of the country have implemented some many policies in order to reduce the over dependence on crude oil revenue.

#### **Agriculture:**

This is the oldest sector of the economy, but has suffered so much abandonment which has resulted to declining contributions to GDP. However, the agricultural sector still employs a large segment of the population over 50% of the employed population are engaged in Crops farming such as cassava, cocoa, and palm oil which are the major exports commodities before the discovery of crude oil. However, the challenge suffered has always been low production due to low mechanization and inadequate infrastructure which has always hinders the fast growth of the agronomy, but it has always generated revenue for the country.

#### **Manufacturing and Industrialization:**

Nigeria's industrial sector is one of the least developed, due to many constraints faced by the sector during the cause of business such as poor power supply, high production costs, low managerial skills and limited access to financing. The government has implemented several policies to boost this sector local production through initiatives like the Economic Recovery and Growth Plan (ERGP).

#### **Services and Trade:**

The services sector is the youngest sector of the economy, this sector includes the banking, telecommunications, and entertainment sector but, has recorded significant growth in the 21st century. This sector growth and development is due to the complimentary roles rendered by the sector to several other sectors. The Nigeria's financial and digital economy is expanding, with fintech and e-commerce becoming major contributors to country's GDP.

### **Statement of the Problem**

The trade performance of the Nigeria economy from this study has been divided into two major periods pre- crude oil era and post-crude oil era. However, dwelling on the present situation, the economic growth of the country has been primarily or majorly dependent on oil exportation with few export of agricultural products or commodities. And the foreign aid is majorly from developed countries like Britain, USA, Germany, etc to sectors like healthcare education and agricultural development (green revolution). However, recently statistics shows steady growth in the nation's economy, apart from Nigerian oil export mainly primary products, then a lot of capital inflow for humanitarian purposes. Therefore, this has brought the worries regarding the economic state of the country as one of the poorest countries in the world. Hence, the need to answer some important questions in this research study.

### **Objective of the Study: -**

#### **The general objectives of the study are:**

1. To determine the contribution of international trade to economic performance in Nigeria.
2. To determine the contribution of international aids to economic performance in Nigeria.

### **Literature Review: -**

Several researchers have studied related subjects and have created their opinion based on their various research finding. However, we will be discussing the views of some of the researchers thus;

Cuadros, Orts, and Alguacil (2001) emphasizes the significant role of FDI in promoting economic growth. This finding calls for a more nuanced understanding of openness, encouraging both policymakers and researchers to consider a broader spectrum of factors that contribute to economic development in developing economies.

Lin (2003) stated that ten percent increase in exports cause one percent increase in GDP in the 1990s in China on the basis of new proposed estimation method, when both direct and indirect contributions are considered.

Pazim (2009) tested the validity of export-led growth hypothesis in three countries by using panel data analysis. It is concluded that there is no significant relationship between the size of national income and amount of export for these countries on the basis of one-way random effect model. The panel unit root test shows that the process for both GDP and Export at first difference is not stationary while the panel co integration test indicates that there is no co integration relationship between the export and economic growth for these countries.

Umeora, (2011), indicated that FDI does not conform to the A-priori and theoretical expectation of a positive relationship between FDI and economic growth. Using secondary data between 1986-2011, a model which was regressed using the OLS and multiple regression techniques, it was uncovered that in Nigeria, there is a negative impact of FDI on economic growth contrary to other findings.

Melynk, Kubatko, &Pysarenko, (2014), also reported a positive impact of FDI on economic growth in the communism transition countries, using panel data on annual transition report indicators from 1998-2010, analysed using the Fixed-Effects estimation to analyse the data.

Anetor, (2019) found that FDI accounts for the significant variation in Nigeria economic growth compared to other capital inflow into the country. Using data from 1961-2016 to evaluate the effects of stocks of private capital inflow on the growth of the Nigerian economy. The result shows that stocks of FDI and portfolio investment inflow have a significant positive and direct relationship on economic growth Nigeria.

Many scholars argue that foreign aid work better in countries with good policies. This means that for countries with good fiscal, monetary, institutional quality and trade policies, foreign aid promotes growth and development (Eroglu&Yavuz, 2009).

Bakare (2011), Kolawole (2013) concluded that aggregate foreign aid hurt economic growth. Other studies that found a positive effect of aggregate foreign aid on the economy.

In Nigeria, most studies focused on the use of aggregate foreign aid to examine how aid affected Nigeria's economy but little effort has been made so far to consider the disaggregated approach. Examples of aggregate studies include; Bakare (2011), Mbah&Amassoma (2014), Kolawole (2013), Fasanya&Onakoya (2012), Ugwuegbe, Okafor &Akarogbe (2016), Nwosu (2018) and their conclusions that foreign aid had a negative or positive effect on growth result in an unhealthy generalization of aid effects. This informed the need for this present study that disaggregated foreign aid to analyse specific effects of each aid type on Nigeria's economic growth.

Ugwuegbe, Okafor and Akarogbe (2016) earlier revealed that foreign aid is in conformity with the a priori expectation; it is positively related to Gross Domestic Product.

Onakoya and Ogunade (2016) also discovered that foreign aid is positively related to real gross domestic product per capital with a percentage increase of an average of 0.13 percent increase in real gross domestic product per capita. The study also affirms that the relationship is statistically significant in shaping the gross domestic product in the long run in Nigeria.

Agunbiade& Mohammed (2018) revealed that foreign aid inflow in Nigeria has positive relationship with economy but not strong enough to impact on the economy. The study went further to affirm that foreign aid received if properly channelled into productive investment in Nigeria have its impact on the economy.

Mukaddas (2020) concluded that the foreign aid intervention programme has positive impact on the infrastructural development in Nigeria education sector, improve performance of teachers, helped Nigeria to achieve Sustainable Developmental Goals such as Universal Basic Education goals, encourage Nigerian school enrolment at primary and secondary school levels as well as improved ICT application in higher institutions.

However, more studies on aid effectiveness in Africa in general and Nigeria in particular, are necessary and timely. Furthermore, the review showed that the empirical literature on foreign aid and economic growth had yielded mixed

and ambiguous results. Some of the scholars agreed that foreign aid impacts positively of economic growth of recipient countries with special attention on the government policies and the comment of the government. While a lot of the beneficiary or developing countries record negative economic growth with respect to impact from foreign aid due to factors such as poor policies implementation, poor infrastructure, poor educational level of citizens etc.

### **Types of Foreign Trade**

Foreign trade also referred to as international trade is trade of goods and services carried out among countries and across boarder or trans boarder trade. These trade are of different types based on their characteristics. This section is set to discuss the different types of foreign trade with example of each.

1.Import Trade: This is the bringing of goods and services into a country. These goods could be products or machineries, but it is for socio – economic purposes. For Nigeria now there are import restrictions on some goods such as tooth picks, and some items that are produced by local industries, the reasons for this import restrictions are to allow the survival of the local industries in the country. Example of goods imported into Nigeria are machineries China and petroleum products South America.

2.Export Trade: This involves selling of domestically produced goods to other countries and also the provision of specialised services and expertise to other countries for the benefit of both countries socio – economically. For Nigeria, export of crude petroleum products, some cash crops such as hibiscus, cocoa, ginger to South America and tanned leather skins to Europe.

3.Extrepot Trade: This involves the sales of goods to another country where it is processed to a refined form and re-sold back for use or consumption. For Nigeria products such as crude petroleum products are imported back to the country as petrol and diesel. Hibiscus flower are imported back as assorted wines, tanned leathers skins are imported as fashionable bags and shoes.

4.Complementary Trade: This type of trade occurs when countries exchange goods that supplement each other's production and consumption needs. For Nigeria petroleum crude is complementary products for imported cars from France, USA, China and India.

5.Counter Trade: This involves a barter trading arrangement where goods or services are exchanged for other goods or services rather than cash. For Nigeria export crude petroleum to Russia for military ammunition. This trade help circumvents sanctions.

6.Free Trade: This trade involves unrestricted import and export of goods and services between countries without tariffs or barriers. This trade increases economic integration, allow competition and innovation. For example, is trade among countries in ECOWAS region.

### **Types of Foreign Aid**

Foreign aid type depends on the role of the aid, the objective of the aid to the recipient community such as health aid, education aid, economic infrastructure aid and industry aiddepend on the type of aid

1.Tied Aid: This are conditional spending aid, where the donor country contributes to the development of another country, where the recipient country in turn is conditioned to use the same fund to buy goods from the donor country thereby assisting the donor country economically. However, tied aid has been criticized for potentially limiting the recipient's choices and increasing costs. For example, trade between US and Egypt or Britain and Nigeria.

2.Voluntary Aid: These are Charity donation provided by individuals, organisations or countries to other countries in form of donations. It is often channelled through non-governmental organizations (NGOs) and includes both financial contributions and in-kind donations. For example, The Bill & Melinda Gates Foundation in Global Health donating drugs and financial aids to developing countries in Africa to eradicate malaria parasites, polio parasite, tuberculosis, and HIV/AIDs. Their contributions have supported vaccination programs, healthcare infrastructure, and research to develop new treatments. for country such as Nigeria.

3.Bilateral Aid – This is Direct Government aid provided by one country to another, often reflecting the donor's foreign policy priorities. This trade focusing on good governance, infrastructure development, and humanitarian assistance which the donor country propagates. For example, U.S. bilateral aid has funded numerous projects, including schools, health clinics, and agricultural programs to Afghanistan or Nigeria.

4.Military Aid – Defence related support which involves the transfer of military equipment, training, or financial assistance to enhance a recipient country's defense capabilities. The involves Britain providing substantial military aid to Nigeria as part of a strategic partnership. This includes funding, advanced weaponry, and training.

5.Multilateral Aid - Cooperative resource pooling for providing multiple countries through international organizations (such as the United Nations, World Bank, or International Monetary Fund) to support development goals globally. For example, World Bank offering financial and technical assistance aimed at achieving sustainable

development, supporting projects to alleviate poverty, promote education, and address climate change through funds from UNESCO, UNICEF and other United Nations Agencies in Nigeria.

6. Project Aid – Specific Project funding, for specific projects, usually with defined objectives, timelines, and measurable outcomes, rather than broader sectoral or budget support. For example, Global Health project funding for eradication of Tuberculosis, malaria parasite and HIV/AIDS awareness campaign in Nigeria

### Research Data: -

The data used in this study was obtained from Central Bank of Nigeria (CBN), World Bank Annual Report, Africa Development Indicators, other related research study reports and observations of report within the periods of 2000 to 2021. The observed period selected was based on data crossing the recent recession period of 2015 and available data. The assessment variables used in this research are Gross Domestic Products (GDP), Foreign Direct Investment (FDI), Official Development Assistance (ODA), Export, Import, Annual Unemployment rate and Annual Inflation rate, while the dependent variable is Gross Domestic Product (GDP). These variables are depicted in the multiple linear regression model in equation (1)

$$\ln \text{GDP} = \beta_0 + \beta_1 \ln \text{FDI} + \beta_2 \ln \text{ODA} + \beta_3 \ln \text{EXP} + \beta_4 \ln \text{IMP} + \beta_5 \ln \text{UNEMP} + \beta_6 \ln \text{INF} + \varepsilon \tau$$

Where;

$\ln \text{GDP}$  = Gross Domestic Product (in current U.S dollars)

$\ln \text{FDI}$  = Foreign Direct Investment (in current U.S dollars)

$\ln \text{ODA}$  = Official Development Assistance (in current U.S dollars)

$\ln \text{EXP}$  = Total Export of goods and services (in current U.S dollars)

$\ln \text{IMP}$  = Total Import of goods and services (in current U.S dollars)

$\ln \text{UNEMP}$  = Unemployment Rate (in Percentage)

$\ln \text{INF}$  = Annual Inflation Rate (in Percentage)

$\beta_0$  = Intercept

$\beta_1$  to  $\beta_6$  = the coefficient of each explanatory variables

$\varepsilon \tau$  = stochastic error term

### Methodology: -

This research work is carried out with existing data that cannot be manipulated for personal interest, therefore the study relied on expo facto research design. The study employed annual time series data from 2000 to 2021 which were obtained from the Central Bank of Nigeria (CBN) Statistical bulletin, National Bureau of Statistics and World Development Indicators (WDI). The choice of this period of research depend on the period of high attention from the developing country, Nigeria and also to capture the recent economic recession in 2015 and unstable economic growth.

### Method of Data Analysis: -

In order to properly perform a thorough data analysis; descriptive statistics analysis test consisting of mean, median, variance, standard deviation and kurtosis of the time series data were conducted using e-views 12, the application analysis tool was conducted on the time series data to enable the use of the variables such as GDP, FDI, OSA, Export records, import records, Unemployment rate and Inflation rate to verify and examine the case under study. See Table 1 – Descriptive statistic Table.



The Gross Domestic Product (GDP) has a Mean of \$326 billion, Median of \$371.3 billion, Variance Skewness of -0.404 shows a slightly left skew and a negative Kurtosis of -1.12 indicates a flatter distribution with fewer outliers. Foreign Direct Investment (FDI) has a Mean of \$3.91 billion, Median of \$3.31 billion, Variance of \$5.34E+18, Skewness of positive 0.62 and a negative Kurtosis of -0.60 indicating a flat distribution.

Official Development Assistant (ODA) with a Mean of \$791 million, Median of 687.5 million, Variance of 2.46E+17, a positive Skewness of 0.46 and a negative Kurtosis of -1.17.

As for the Annual Export and Import statistics the Mean is \$10.35 million and \$8.36 million respectively, Median is \$9.6 million and \$8.52 million respectively, Variance \$3.05E+13 and \$4.03E+13 respectively, positive Skewness of 0.02 and 0.91 respectively and the Kurtosis is -0.94 and 0.15 respectively.

The unemployment rate and the inflation rate has a Mean of 4.16% and 12.34%, Median of 3.8% and 12.35%, Variance of 0.41 and 12.75, Skewness of 1.34 and -0.06 and Kurtosis of 0.42 and -0.65 respectively.

The econometric method used in this study are the Ordinary Least square test and Augmented Dickey Fuller (ADF) test.

Ordinary Least Square (OLS) regression was employed for the analysis of the data series, for Gross Domestic Product (GDP) as dependent variable while Foreign Direct Investment (FDI), Official Development Assistance (ODA), Total Export (Exp), Total Import (Imp), Unemployment rate (Unemploy), Inflation rate (Inflat) as independent variables in order to discover the relationship the exist among the variables. See Table 2 for O.L.S regression test analysis, while Table 3 shown identifies some key points from Table 2.

**Table 3: - Key Indexes on Foreign Trade and Foreign Aid Model.**

Variables	Coefficient	Standard Error	P-value	Prob
FDI \$	-0.342254	-0.056568	0.9556	Insignificant, FDI does not show a strong impact on GDP.
ODA \$	80.35121	1.81384	0.0898	Weakly significant at 10% level, suggesting some positive impact of ODA % GDP
EXPORT \$	4905.952	0.759677	0.4592	Insignificant shows that export alone do not impact on GDP
IMPORT \$	24721.71	3.24492	0.0054	Highly significant, import have strong positive impact on GBP
UNEMPLOYMENT RATE %	-1.56E+11	-2.693294	0.0167	Statistic Significant at 5% , indicating unemployment rate negatively effects GDP
INFLATION RATE %	-6.90E+09	-1.642616	0.1213	Inflation does not significantly impact on GDP in this model

The Augmented Dickey Fuller (ADF) test under the Unit Root Test is use for the estimation of the stationarity of the data series under investigation, it is also used as a precautionary technique to circumvent the estimation of spurious regressions. A stationary series denotes that the mean, covariance and variance are constant for the data series over long run period. Therefore, Augmented Dickey Fuller (ADF) test and Phillip – Perron (P-P) test are used to examine the stationarity of the data series. As the equation of ADF test and P-P test are stated below in equation 2 and equation 3.

P

$$\gamma_{\tau} = \beta_1 D_{\tau} + \phi \gamma_{\tau-1} + \sum_{j=1}^J \Psi_j \Delta \gamma_{\tau-1} + \varepsilon_{\tau} \text{-----} (2)$$

$$\gamma_{\tau} = \beta_1 D_{\tau} + \pi \gamma_{\tau-1} + \mu_{\tau} \text{-----} (3)$$

If the data series is found to be non-stationary, then further test is conducted with first difference for each of the variables but, if it is stationary at this stage, then it can be concluded that the variable has a unit root and it is integrated in the order of one (1(1)). For this study See Table 4 as a summary of ADF test for level and 1<sup>st</sup> difference at intercept, then at trend and intercept.

The finding based on Table 4 indicates that the variables GDP, FDI, ODA, EXPORT, IMPORT and INFLATION RATE are non-stationary at level (i.e they exhibit unit roots). But, the UNEMPLOYMENT RATE is stationary at Level, with its p-value 0.03, less than 0.05.

Also the p-value at Level is greater than 0.05 or 5% and the t-statistic value is greater than the critical value at 1%, 5% and 10% significance level, which suggests that these economic indicators have long-term trends and do not revert to their mean.

However, when stationarity test was performed at First difference all the variables become stationary at First difference. The t-statistic is less than the critical value and the p-value become less than 0.05, showing that the variables are now mean reverting. But, the unemployment rate remains non-stationary at first difference (p = 0.4026), suggesting that it may be integrated at order two (1(2))

From the characteristics of the data test result where variables indicated non-stationarity, it inferred that these economic indicators exhibit long term trends rather than short term fluctuation and therefore there is the need for long-term macroeconomic policies that permit long lasting economic transformation in the country.

### Conclusion: -

Considering the test results and studying the reaction of the various variables on the dependent variable GDP and the impact of some of the variables on one another, it can likely be said that FDI and GDP are not significantly related, since the increase in FDI has little or no impact on GDP of industries in Nigeria, most like due to Capital flight of the benefits or gains from investment in the Country. On the other hand, the study exposed that ODA has weak impact on GDP, since part of the roles of ODA is to assist the economic growth of developing country such as Nigeria. Therefore, its impact is non-significant, also due to the volume of ODA of the benefiting country.

However, Export impacts on the GDP of Nigeria, but the export need other variables to support it effect, this maybe due to types of goods exported such as raw materials such as agricultural products whose value are not very high compared to industrial goods such as machineries. Therefore, export needs import to complement its effect or impact on GDP. Although Import has adverse effect on the economy of Nigeria, but it has a significant effect on GDP, the import of machines helps to boost production.

The unemployment rate has a strong negative impact on GDP (coefficient = -1.56E+11, p-value = 0.0167), this further indicates that an increase in unemployment level negatively affects the economic output of the country. In the same vein inflation does not directly effect GDP, but it effects other variables by increasing the cost of such variables which in turn impact on the production output of Nigeria.

### Recommendations: -

This section is to review the entire research work and suggest possible solutions in resolving challenges discovered during the research process in order to assist the government, private sector and other stakeholders. It is also for suggesting other possible area of research to venture into by other scholars.

1. Nigeria should restructure her policies to attract FDI into industrial sector, technology sector and agricultural sectors through infrastructural development, improve macro-economic policies implementation rather than the extraction of mineral sector in order to improve her export revenue base.

2. The country should learn to direct most of the official development assistance funds towards infrastructure development, educational sector and technological development. This will go a long way to improve manufacturing sector, which will impact on the GDP positively as well as the economic development of the country
3. The country should also set up proper monitoring structures or sectors or agencies, whose responsibility will be to monitor the execution of all policies and projects for accountability and proper implementation.
4. The country should encourage the utilization of foreign aid to improve standard of living of the public and also the fight of corrupt practices, through empowering anti-graft agencies such as The Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and other Related Offences Commission (ICPC), be established to fight corruption and should be effective in their job, so as to convince development partners and other aid donors that it is no longer business as usual for those that divert public resources including foreign aid funds for personal gains
5. Nigeria should encourage diversification into manufacturing sector and non-oil sector, and reduce the over dependence on oil export. This can be encouraging through the introduction of incentives to manufacturing industries and non-oil sectors in order to increase export products.
6. The country should also create policy mechanisms that facilitate easy access of manufacturers to international market and also provide all necessary education, training and assistance to accessing the international market.
7. Nigeria should encourage local industries to expand their production output and also strive to improve on their standards and to compete with international industries through policies formation, tax incentives, and provision of necessary infrastructures for ease of operation as well as encourage collaboration amongst local industries to expand production
8. The Nigeria government should promote policies that will provide employment such labour- intensive jobs should be encourage such as construction jobs, agricultural job, manufacturing jobs etc
9. The country should through the Central Bank of Nigeria implement macroeconomic policies that will control inflation or create stability in the country's currency through the provision of bank loans at low rate to encourage investment in the country etc.
10. The country should always implement policies that will align the foreign trade policies, foreign aid policies and the general economic policies together to achieve same goal and objective.

**Table 1: - Descriptive Statistics.**

	<b>GDP (\$)</b>	<b>FDI (\$)</b>	<b>ODA (\$)</b>	<b>EXPORT (\$)</b>	<b>IMPORT (\$)</b>	<b>UNEMPLOYMENT RATE (%)</b>	<b>INFLATION RATE (%)</b>
<b>MEAN</b>	3.2671E+11	3906666667	791095000	10345454.55	8364354.3	4.159090909	12.33636364
<b>MEDIAN</b>	3.7137E+11	331000000	687500000	9600000	8520398.02	3.8	12.35
<b>MIN</b>	6.917E+10	780000000	800000000	1700000	985022.4	3.6	5.4
<b>MAX</b>	5.7418E+11	884000000	162000000	19900000	22954835.5	5.7	18.9
<b>VARIANCE</b>	2.3723E+22	5.3436E+18	2.4637E+17	3.05688E+13	4.0358E+13	0.412417355	12.75140496
<b>KURTOSIS</b>	-1.1248068	-0.6046323	-1.1791151	-0.939721686	0.15062847	0.422407676	-0.653323935
<b>SKEWNESS</b>	-0.4044709	0.62092412	0.45519366	0.021677422	0.91564164	1.342753408	-0.055412175
<b>COUNTS</b>	22	22	22	22	22	22	22

**Table 2:-** Ols Analysis Results.

Dependent Variable : GDP
Method: Least Square
Date: 23.03.2025

Years: 2000 - 2021

Variables	Coefficient	Std Error	t-statistic	Prob
C	7.40 E+11	2.16 E+11	3.426224	0.0038
FDI	-0.342254	6.050261	-0.056568	0.9556
ODA	80.35121	44.29894	1.813840	0.0898
XPORT	4905.952	6457.948	0.759677	0.4592
MPORT	24721.71	7618.588	3.244920	0.0054
UNEMPLOY	-1.56 E+11	5.78 E+10	-2.693294	0.0167
INFLAT	-6.90 E+09	4.20 E+09	-1.642616	0.1213

R-squared	0.873381	Mean dependent var	3.27 E+11
Adjusted R-squared	0.822734	S.D dependent var	1.58 E+11
S.E. of regression	6.64 E+10	Akaike info criterion	52.92841
Sum squared resid	6.61 E+22	Schwarz criterion	53.27556
Log Likelihood	-575.2126	Hannan Quinn criterion	53.01019
F-statistics	17.24430	Durbin-Watson stat	1.364800
Prob (Fstatistics)	0.000006		

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