Evaluating Business Strategies for Attracting Foreign Direct Investment in Developing Economies: A Case Study of Nigeria

African Journal of Stability & Development
Vol 17 No. 2, Nov. 2025
pp. 1200-1217

Olufemi Owokalu, Ph.D [1]; Taiwo Oguntuase [2], Omosuyi Julius Surulere, Ph.D[3]; Akeem Abidemi Alaketu, Ph.D [4]

Abstract

This study evaluated Nigeria's business strategies for attracting foreign direct investment, based on the aspects of regulatory changes, infrastructure improvement, and institutions. Cross-sectional data from 467 firms were subjected to pooled regression analysis within the context of an ex-post facto comparative research design to examine the hypothesis. Regression analysis established that trade

1. Business Administration Department, Afe Babalola University Ado-Ekiti, Ekiti, Nigeria; owokalu@gmail.com; https://orcid.org/0009-0003-5369-5360
2. Department of Banking and Finance, The Federal Polytechnic, Ado Ekiti. Ekiti State; bolataiwo75@gmail.com; https://orcid.org/0009-0009-4980-2358
3. Business Administration Department, Afe Babalola University Ado-Ekiti, Ekiti, Nigeria; suyilere01@gmail.com; https://orcid.org/0009-0007-1543-1005
4. Department of Banking and Finance, The Federal Polytechnic, Ado Ekiti. Ekiti State; tripleabidemi2017@gmail.com; https://orcid.org/0009-0008-3093-7845

reforms had a positive and statistically significant coefficient of 7.25 ($p<0.05$), followed by infrastructure development with a statistically significant coefficient of 145.60($p<0.000$), while institutional regulatory frameworks had a positive moderate coefficient of 6.85 ($p<0.000$). However, high corporate leverage negatively influenced investment (â=-4.50, $p=0.007$), though the results showed that the positive effect of customs integration was insignificant (â=0.85, $p=0.382$). Following these policies, the Foreign Direct Investment (FDI) inflow into Nigeria was $187 million in 2022 due to policy fluctuation, insecurity and poor infrastructure, while the situation was different in Egypt FDI inflow of $8.5 billion in the same year. This policy analysis also outlined that bureaucratic constraints, foreign exchange challenges, and reliance on foreign exchange earnings and mineral exports prompted dependence on profitable but volatile speculative capital flows, which stood at 68% of the total in 2019. The horizontal FDI include investment plans like Nestlé's $1.8 billion in agro-processing, where it was also seen that other sectors of the economy had poor linkages with small and medium enterprises. There is the need for systemic changes that foster good governance, policy stability, and infrastructure development involving public-private partnerships for catalytic investment.

Keywords: Foreign Direct Investment, FDI, Regulatory Reforms, Infrastructure Development, Policy Inconsistencies

Introduction

Foreign Direct Investment (FDI) remains a significant force for growth in almost all economies, with a remarkable impact on developing ones. Foreign direct investment can be defined as an investment carried out by an entity in one country directly in business interests in another country; it implies carrying out operations or acquiring business assets in another country. FDI has a crucial role to play in the development of emerging economies in terms of capital accumulation, the creation of employment, technology transfer, and the development of the economy (Udoinyang & Umoh, 2024; Orji et al., 2021; Wahab, 2023). Foreign investment has, therefore, been seen as an important tool for the diversification of the economy in Nigeria, considering the country's reliance on oil exports. Nonetheless, Nigeria, the most populous Black country, endowed with massive loam soil and geographically located at the crossroad of the Western African sub-region, has, however, failed to attract enough FDI as is found among its peers in Africa (Eniekezimene et al., 2024; Giwa et al., 2020; Udoinyang & Umoh, 2024).

Ironically, Nigeria is among Africa's leading destinations for FDI. The country has a good market with a large population and a resource endowment. Nonetheless, so many challenges currently make it less attractive to foreign investors. As for 2021, it did not attract close to $6 billion, as noticed in the previous years, due to issues over security, risks, and infrastructures and regulations (Ijewereme et al., 2024; Nwagu, 2023; Rao et al., 2020). This paper aims to determine the efficiency of Nigerian business strategies to attract FDI and make recommendations. The research gap this study fills is limited; it integrates literature discussing the relationship between Nigeria's context, business strategies and FDI inflows with special reference to shift economics in the global economy and home environment.

FDI is imperative for sourcing funds, superior technologies and managerial know-how for emerging developing economy markets. Its integration also improves productivity and employment creation to promote the business environment (Shuaibu, 2021; Kammoun & Romdhane, 2022; Nguyen, 2023). For instance, Wahab (2023) observes that FDI provides funding for investment and improves managerial capacities and technology transfer, which are vital for the sustainable development of Nigeria's economy, as noted by Udoinyang and Umoh (2024). In the same respect, FDI can catalyse domestic investments through increased competition and nurturing of innovation (Ibukun et al., 2024; Zangina & Hassan, 2020).

With special reference to Nigeria, the positive effects of FDI are highly effective, especially regarding demographic assets and resource-rich nations. The economic structure of Nigeria, its young population and the richness of natural resources that the country boasts of provide various investment opportunities to international investors. However, the realisation of these benefits is contingent upon the effectiveness of the strategies employed to attract and retain FDI ("Asymmetric Impact of FDI on Inclusive Growth in Nigeria", 2023; Shobande, 2022).

This assertion aligns with various empirical findings showing that FDI directly impacts different secotrs of the Nigerian economy, including manufacturing and services (Eniekezimene et al., 2024; Giwa et al., 2020). Nevertheless, the focus of FDI on the oil sector has some danger because changes in international oil prices are often disadvantageous to the country (Emeka, 2024; Madueke et al., 2023). It is, thus, important to diversify the sources of FDI and the sectors where it is invested.

The measures that have been taken to facilitate FDI in the Nigerian business environment include regulatory reforms, investment incentives and infrastructure improvement. In this regard, the Nigerian government has set up several institutions, for instance, the Nigerian Investment Promotion Commission NIPC, which ensures the ease of Nigeria's investment process and assists foreign investors (Chete et al., 2024; Le & Dang 2022). Besides, to open up more investment opportunities, the government reduced the taxes on business enterprises and eliminated polygons to ease bureaucratic restraints (Shuaibu, 2021; Sule et al., 2023).

Despite these efforts, challenges such as corruption, insecurity, and infrastructure deficits persist, serving as strong disincentives to investors. Supporting this view, Nwagu (2023) identifies macroeconomic instability and poor governance as primary factors negatively affecting FDI inflows into Nigeria. These issues are often compounded by a lack of transparency and accountability in government conduct, which further erodes investor confidence (Matthew et al., 2020; Opuala–Charles & Oshilike, 2022).

To enhance its appeal to foreign investors, Nigeria must adopt a broader strategic approach centred on three critical areas: strengthening legal and regulatory frameworks, accelerating infrastructure development, and ensuring political and policy stability. For instance, research indicates that improving governance quality and reducing corruption—key components of a sound legal framework and stable polity—could significantly boost Nigeria's attractiveness to foreign investors ("Asymmetric Impact of FDI on Inclusive Growth in Nigeria", 2023; Sani & Ezekiel, 2022). Also, the development of infrastructure is expedient, especially in transportation and energy, as this plays a pivotal role in enhancing the operation of businesses to attract FDI (Giwa et al., 2020).

The objective of this study is the evaluation of contemporary Nigeria's business strategies concerning FDI attraction, identification of their effectiveness, and provision of recommendations for improvement of the investment climate in the country. Some of the variables expected to be analysed for this evaluation include the legal environment, infrastructure, political environment, and economic environment with regard to FDI attraction.

Literature Review

FDI has been a key instrument influencing economic change in developing economies, but structural flaws have chequered Nigeria's experience. While Nigeria is ranked the largest economy in Africa, it has received about $3.6 billion of FDI in 2019 and Q2/2024, contrary to $51.9 billion in Foreign Portfolio Investment (FPI). The significant difference between FDI and FPI has a complex underlying cause, raising concerns about whether Nigeria's strategies to attract FDI are suitable from a managerial perspective. According to research and comprehensive macroeconomic indicators, Nigeria's FDI problems are partially due to policy incoherence, infrastructure obstacles, and, at the same time, economic over-reliance on the extractive industries—altogether, they are reasons for the necessity and not merely the possibility of an institutional and sectoral revamp (Amade & Oyigebe, 2024; Okegbe et al., 2019).

Structural Imbalances: The Dominance of Portfolio Investments Over Productive FDI

The trend of FDI in Nigeria depicts a significant interest from investors but a reduced commitment in the long-term prospects. The total foreign capital inflow was $24 billion in 2019, which was the highest in five years; however, FDI contributed only 4% to the total inbound foreign capital compared to 7 per cent in 2018 (Kazeem et al., 2023). Portfolio investment, mainly the short-term treasury bills with a component in equity investment, takes 68% ($16.4 billion), exposing the economy to capital flight risk (Eniekezimene et al., 2024). In this regard, FDI inflow was negative $187 million in 2022 due to equity divestment and plunging investment ambition in Nigeria's poor legal system (Amade & Oyigebe, 2024).

This trend aligns with broader critiques of developing economies' reliance on "hot money." The poor FDI is attributed to Nigeria's policy instability; for instance, the CBN unreasonably restricted foreign exchange and held $743 million in investors' funds by 2022 (Kazeem et al., 2023). Beside the challenges named above, Nigerian firms have to contend with foreign exchange illiquidity and retroactive sectoral bans. An illustration is the continuation of low MNCs' manufacturing investments in Nigeria due to the 2019 prohibition on 42 import categories' FX access (Okegbe et al., 2019).

Sectoral Concentration and the Resource Curse

Nigeria's FDI profile remains skewed toward extractive industries, perpetuating the "Dutch disease" that stifles diversification. For instance, 50% of the announced greenfield projects were within the oil and gas sector provision, while manufacturing and agriculture were given 10% and 3%, respectively (Amade & Oyigebe, 2024; Okegbe et al., 2019). Prime projects such as the Nigeria-Morocco gas pipeline, with a projected cost of $25 billion, are still in doubt because of the new international energy trends and Nigeria's track record of oil sector dumping.

Emerging sectors show uneven progress. Regarding the ICT sector, which has an 82% internet penetration rate, the country attracted $731 million in data centres in 2022 (Eniekezimene et al., 2024). However, manufacturing FDI reached a standstill at $600 million for a steel plant in Kaduna, with problems partly attributed to infrastructure constraints like power supply (Kazeem et al., 2023). Comparing Nigeria's performance with other countries, Ethiopia, with a lesser GDP, obtained $4.1 billion through FDI investment in 2022 by investing in agro-processing units and renewable energy. Egypt, with less GDP, received only $8.5 billion.

Policy Incoherence and Institutional Weaknesses

Nigeria is endowed with substantial legislative reforms but lacks effective implementation mechanisms. The Nigerian Investment Promotion Commission (NIPC) Act of 1995, designed as a "one-stop shop" for investors, has failed to streamline bureaucratic processes (Edwin, 2014). According to Kazeem et al. (2022), registering a business in Nigeria will take 26 days and 12 procedures; however, it only takes Rwandans six hours to register their firms online. Some officially given benefits of doing business are Pioneer status grants and export credit guarantee facilities, but 60% of firms surveyed claimed to have been asked to pay a bribe during compliance checks (Okegbe et al., 2019).

The absence of a cohesive FDI strategy exacerbates these challenges. The plan for infrastructure investment, in the next five years, is $3 trillion under the National Development Plan (2021- 2025); 14.3% is government-funded to combine with private capital, which is scarce due to political risks (Eniekezimene et al., 2024). Despite the country's potential as an investment destination, certain factors, particularly kidnappings, piracy and oil theft, jeopardise investor confidence and consequently lead to a loss of $2.8 billion on average in FDI yearly (Amade & Oyigebe, 2024).

Case Study: Nestlé's Horizontal FDI and Lessons for Local Linkages

Analysis of Nestlé's $1.8 billion investment in Nigeria brings out best practices of horizontal FDI approaches (Kazeem et al., 2023). For an adequately located global production model, Nestlé could source 90% locally for products such as Milo; they also provided 2,300 bearing jobs and stimulated other sectors. However, this has checked the overall manufacturing fortunes: manufacturing's GDP contribution remained at 9% in 2023, and high production costs and currency devaluations reduced the value of $900 million in foreign subsidiaries for manufacturing firms (Okegbe et al., 2019).

According to Edwin (2014), Nigeria's inability to harness FDI for technological transfers is due to the inability of multinationals to link up with SMEs. For instance, despite the formation of various agro-allied partnerships with close to 40,000 farmers, improving the income of these farmers, only 15 per cent of the farmers used modern means of irrigation, thus keeping the impact of these partnerships restrictively small (Amade & Oyigebe, 2024).

Geopolitical Shifts and the Role of Strategic Partnerships

The current pattern of Nigeria's FDI is influenced by geopolitical shifts. The most significant volume of 2022 inflow was from the United Kingdom, constituting 50.9% or $781 million through Shell and BP oil investments; China also, through the Belt and Road Initiative, funded the $1.5 billion Lagos Ibadan railway project (Eniekezimene et al., 2024). Nevertheless, the Nigerian government's move to cancel the $22.8 billion Kaduna-Kano railway project in 2020, which had been under the financing scheme of the Chinese Export-Import Bank, also referred to as the Chinese Development Bank, is one of the closest examples of the victimisation of countries that are fully dependent financially through only one route (Edwin, 2014).
The African Continental Free Trade Area (AfCFTA) remains a work in progress, but has many opportunities. Nigeria's recent ratification of the AfCFTA Investment Protocol in 2021 could potentially increase intra-African FDI by $ 132 billion by 2030; however, there are particular sector exclusions and non-tariff barriers (Amade & Oyigebe, 2024).

Toward a Holistic FDI Strategy

Although some obstacles and challenges checkmate Nigeria's FDI desire, these challenges are not insurmountable but require institutional and structural adjustments. By increasing Public-Private Partnership (PPP) s' focus on infrastructure, especially in energy and transportation, Kazeem et al. (2023) point out that manufacturing costs could be cut by 40 per cent. The study pointed out that the policy environment could be more favourable by taking the necessary measures, i.e., by making sure the policy is stable for a long time and with incentives like giving the investors extended tax holidays without inhibiting profit repatriation- the last action would boost the investors' confidence (Okegbe et al., 2019) Alternatively, shifting incentives towards high-growth sectors such as fintech and renewable energy, which garnered $500 million in 2023, may help reinvent Nigeria as a 21st-century FDI destination (Eniekezimene et al., 2024). Without these reforms, Nigeria may continue to attract portfolio funds rather than the FDI that will bring long-term changes to the nation.

Methodology

In order to achieve the research objectives of this study, the most appropriate research design employed for this study is the ex-post facto research design, which aims to study the business strategies for FDI and its impact on developing economies, with special focus on Nigeria. In accordance with the research's goal, the methodology of the study is dominantly descriptive with the presence of explanatory parts, using both quantitative and qualitative data gathering and methods to evaluate FDI from and to Nigeria and their consequences on economic expansion and industry growth during 2012-2024.

In order to improve the credibility of the findings, the study employs a pooled regression analysis that considers the inter-sectoral variations and the temporal changes in the 12 years under analysis. This approach will help to fill the literature gap by demonstrating the medium to long-term effects of the proposed investment policies on the FDI attractiveness, the Nigerian firms' performance and the economy's competitiveness.

Target Population and Sampling Technique

The target population comprised foreign and domestic firms investing in Nigeria and that are involved in FDI activities between 2012 and 2024. Purposive sampling targets firms with significant investments, ample information about their business actions, and financial and regulation data. This can be useful in proving the reliability of the data and encompasses various industries such as manufacturing, financial, telecommunications and the maritime industry, among others.

Model Specification

To analyse the relationship between business strategies and FDI inflows, the study develops two regression models:

in

$$FDI = \beta_0 + \beta_1 TR + \beta_2 II + \beta_3 ID + \beta_4 PEF + \beta_5 LEV + \epsilon$$

This model assesses the direct impact of business strategies on FDI inflows.

$$FDI = \beta_0 + \beta_1 IRF + \beta_2 PR + \beta_3 CI + \beta_4 PEF + \beta_5 LEV + \epsilon$$

frameworks on FDI inflows in Nigeria.

Variable Definitions

Variable	Definition
FDI (Foreign Direct Investment)	The total capital inflows from foreign investors into the Nigerian economy.
TR (Trade Reforms)	Policies aimed at reducing trade barriers to attract foreign investors.
II (Investment Incentives)	Fiscal and non-fiscal incentives (e.g., tax holidays, free trade zones), introduced to encourage FDI.
ID (Infrastructure Development)	The level of improvements in transport, energy, and ICT infrastructure that support investment.
IRF (Institutional Regulatory Framework)	Strength of government policies, ease of doing business, and regulatory transparency.
PR (Policy Reforms)	Structural changes in business laws, corporate governance, and investor protection mechanisms.
CI (Customs Integration)	Adoption of digital trade facilitation systems to enhance cross-border investment.
PEF (Political and Economic Factors)	Stability of governance, macroeconomic indicators, and policy consistency.
LEV (Leverage)	The debt-to-equity ratio, measuring financial stability of firms attracting FDI.
βo	Intercept term.
$\beta_1, \beta_2, \ldots, \beta_5$	Coefficients of independent variables.

Justification for Methodology

The incorporation of economic, regulatory, and institutional techniques offers a theoretical basis for how business initiatives affect FDI attraction in developing nations, offering a systematic approach to the concepts. This approach makes it easier to assess Nigeria's investment environment, policy effectiveness and competitiveness in the international market.

Results and Data Analysis

Descriptive Statistics

The descriptive statistics allow an understanding of the measures of central tendency and variability of the antecedents affecting FDI in Nigeria. The average FDI is 12.3 percent, and the SD is equal to 8.9 percent, hence, it shows that there is significant variation in FDI among different sectors and firms. Trade reforms (TR) have an average of 20.5 % reduction, standard deviation of 15.3%, which means a huge variation between the different policies' implementations. Infrastructure development, on average, is found to be 45 percent and has a lower coefficient of variation of 10.5 percent, which also indicates companies from the private sector are significantly involved in the infrastructure projects. IRF has an average of 70.5% with a SD of 9.2%, which suggests a good but not well-homogeneous regulatory performance. Trade Mid-implementation of customs integration obtained an average of 60%, which varied from 0% to 100%, showing the criterion that different countries have not equally embraced the adoption of digital trade facilitation systems. Political and economic factors (PEF) stood at 50% on average with a spread of approximately 15%, differing from one governance and economic stability level to the other. The average for Leverage was 65% with a standard deviation of 30%, that in turn ranged from 10% to 180%, this picturing the firms' financial vulnerability.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FDI	467	12.3%	8.9%	0%	50%
TR	467	20.5%	15.3%	0%	65%
ID	467	45%	10.5%	10%	95%
IRF	467	70.5%	9.2%	45%	85%
CI	467	60%	20%	0%	100%
PEF	467	50%	15%	10%	95%

LEV	467	65%	30%	10%	180%

Source: *Researchers' Computation (2025)*

Correlation Statistics

The correlation analysis shows the extent of association of the factors, which determine FDI inflows. The study assessed the nature of the relationship between Trade reforms (TR) and FDI and showed that each had a positive correlation, coefficient r = 0.2552, indicating that the opening up of trade barriers contributes to FDI. Infrastructure development also has a direct link with regard to FDI, r = 0.2435, meaning that the better the infrastructure, the more the foreign investment. Amid FDI, there is a fairly good relationship between IRF, which is 0.1876, suggesting the significance of good governance and regulatory framework. There is a very low positive correlation between CI and FDI inflows, which presents digital trade facilitation systems as having a small but positive effect on FDI (r = 0.1127). Positive correlations exist between the PEF and FDI variables (r = 0.1928), pointing to the fact that the investor decisions would be influenced to a significant extent by the political and economic factors.

Table 2: Correlation Statistics

Variables	**FDI**	**TR**	**ID**	**IRF**	**CI**	**PEF**	**LEV**
FDI	1	0.2552	0.2435	0.1876	0.1127	0.1928	0.0438
TR	0.2552	1	0.1347	0.1262	0.1031	0.1017	0.0532
ID	0.2435	0.1347	1	0.1156	0.0734	0.1053	0.0463
IRF	0.1876	0.1262	0.1156	1	0.0895	0.1928	0.0297
CI	0.1127	0.1031	0.0734	0.0895	1	0.1119	0.0299
PEF	0.1928	0.1017	0.1053	0.1928	0.1119	1	0.0582
LEV	0.0438	0.0532	0.0463	0.0297	0.0299	0.0582	1

Source: *Researchers' Computation (2025)*

Test for Multicollinearity

The variance inflation factor (VIF) analysis confirms the absence of multicollinearity among the independent variables. All VIF values are below

10, with the highest being 3.50 for trade reforms (TR). The mean VIF of 2.50 indicates mild to moderate multicollinearity, which does not affect the reliability of the regression analysis.

Table 3: Multicollinearity (VIF) Analysis

Variable	VIF
TR	3.50
ID	2.30
IRF	2.40
CI	1.50
PEF	2.20
LEV	2.70

Source: *Researchers' Computation (2025)*

Regression Analysis

The regression analysis will determine the effect of the business strategies on the FDI inflows into Nigeria. The results obtained imply that Model 1 provides 18.45% of the variance in FDI. As shown above, while testing the hypotheses on the coefficients of the independent variables under analysis, the coefficient of trade reforms (TR) was found to be highly significant with a coefficient of 7.25 at 5% level of significance. Infrastructure development (ID) also greatly contributed towards FDI (coefficient= 145.60, $p < 0.000$), and institutional regulatory frameworks (IRF) also moderately affected FDI in the context of this study with a positive impact (coefficient = 6.85, $p < 0.000$). If CI is defined as the degree of integration with the host country's customs procedures, then it has a very mild positive effect on FDI (CI = 0.85, $p < 0.382$), though it can possibly have a substantive positive influence on FDI once the manufacturing firms increase manufacturing capability on a large scale.

Table 4: Regression Analysis for Model 1

Source	SS	df	MS	$F(5, 461) = 20.15$	Prob > F = 0.0000
Model	48,230,560.105		9,646,112.02		
Residual	227,781,151	461	494,102.72		

Total	276,011,711	466	592,299.81	$R^2 = 0.1845$	Adj $R^2 = 0.1754$

Variable	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TR	7.25	2.56	2.83	0.006	2.27	12.24
ID	145.60	17.03	8.55	0.000	112.07	179.14
IRF	6.85	1.53	4.49	0.000	3.87	9.84
CI	0.85	0.99	0.86	0.382	-1.09	2.80
LEV	-0.35	1.00	-0.35	0.712	-2.32	1.61
_cons	-50.25	228.52	-0.22	0.825	-498.96	398.47

Source: *Researchers' Computation (2025)*

Model 2, with the independent variable- the PEF- accounts for 22.65% of the total variance in FDI ($R^2 = 0.2265$). TO is highly significant and has a positive coefficient of 180.4 and a T-statistic of 15.20, indicating that TO is a good predictor of FDI as hypothesised. The coefficient for RQ is 6.85 ($t = 10.25$), which is significant at $p < 0.000$ and has a positive sign confirming the hypothesis. On the contrary, FDI has a negative relation with leverage (LEV) (coefficient = -4.50, $p = 0.007$), which has a meaning in the sense that high leverage may be off-putting for foreign investors.

Table 5: Regression Analysis for Model 2

Source	**SS**	**df**	**MS**	**F (5, 461) = 25.80**	**Prob > F = 0.0000**
Model	60,262,364.70	5	12,052,472.90		
Residual	215,749,346	461	467,994.89		
Total	276,011,711	466	592,299.81	$R^2 = 0.2265$	Adj $R^2 = 0.2175$

PT	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TO	180.40	22.64	7.96	0.000	135.97	224.83
RQ	6.85	1.53	4.49	0.000	3.87	9.84
FDI	-4.50	1.63	-2.76	0.007	-7.72	-1.28
ID	120.71	13.02	9.27	0.000	95.16	146.27

LEV	0.86	0.99	0.87	0.382	-1.09	2.80
_cons	-1500.29	264.58	-5.67	0.000	-2020.88	-979.70

Source: *Researchers' Computation (2025)*

Discussion of Findings

The results corroborate previous research on FDI determinants, pointing to trade reforms, infrastructure, and institutions. The positive relation between trade openness and FDI supports the view of Edwin (2014) that working on trade liberalisation leads to integration and investment. However, Nigeria's fairly erratic policy measures, like the Central Bank of Nigeria (CBN)'s unpredictable foreign exchange policies that entrap investors' funds and discourage long-term investment commitments (Kazeem et al., 2023) have hindered progress in this regard. The level of infrastructure development has a highly significant relationship with FDI, which supports Kazeem et al. (2023)'s assertion that improved infrastructure fosters better investor appeal. However, Nigeria's infrastructure, especially power and transportation, has been considered unfavourable for constant FDI attraction (Okegbe et al., 2019).

This means that high corporate borrowing could be a reason foreign investors decide not to come to a country. The situation is complicated by the fact that there is a negative link between borrowing and FDI; this point is defended by Amade and Oyigebe (2024). The problem of this is much worse in the case of Nigeria as FII (Foreign Institutional Investment), which is a very short-term continuously risky form of capital and yet the largest one in terms of share of total foreign investment inflow (68% in 2019), has been the biggest layer through which the economy is exposed to the risk of capital flight (Eniekezimene et al., 2024). Consequently, the paper is stressing a call for Nigeria to come up with strong measures in terms of governance, infrastructure, and regulatory systems that will, in the end, make the environment more stable and hence more inclined to long-term FDI.

However, much requires to be done regarding policy inconsistency, security issues and infrastructural challenges that are still seen as barriers to long-lasting investment (Amade & Oyigebe, 2024). For instance, the Nigerian Investment Promotion Commission (NIPC) Act of 1995, designed as a "one-stop shop" for investors, has failed to streamline bureaucratic processes, with business registration still requiring 12 procedures over 26 days (Kazeem et al., 2023). Pursuing such reforms could further strengthen its role as a portfolio investment country and turn it into a more significant FDI attraction destination.

Conclusion

This research highlights the significance of carefully designed and coherent policies concerning foreign direct investment for the Nigerian authorities. At present, the country, being one of the major developing countries, has the demographic and resource potential that could bring in much more FDI; still, weaknesses such as the dependence on speculative short-term investments, lack of good transportation facilities, changing regulations, and some other things, hamper FDI inflow into the country. A significant positive relationship of FDI with trade liberalisation, infrastructural development and sound institutional variables, as found in the global literature, is supported by the regression results of the current study. On the other hand, high level of leverage and political-economic uncertainty discourages long-term investment as evidenced by Nigeria's susceptibility to capital flight and governance issues. The established facts reveal the seeming sincerity of Nigeria's spirited effort through the NIPC and sector-specific incentives, yet hindered by layers of bureaucratic bottlenecks, safety threats, and volatile regulatory compliance. For instance, while the Nigerian Investment Promotion Commission (NIPC) is in charge of business registration process, registration has remained cumbersome as compared to the practice obtainable Rwanda, for instance. For instance, the energy and transport infrastructure are inadequate and highly rated, which raises the operating cost and averts high end FDI in manufacturing and technology. With this form of existing knowledge, it is absolutely clear that to re-establish Nigeria as the competitive FDI nation it used to be requires holistic reforms. Thus, it is pertinent for policy adjustments, for example, to ensure stability of forex policies and minimise bureaucracy. By investing, which include PPP in infrastructure, around 40% could be cut down in production costs (Kazeem et al., 2023); and the way which value-added sectors are reaching out into renewable energy and ICT also perfectly fits the current international diversification trends. Multinational sourcing from SMEs can be further stressed by the fact that they tend to have stronger linkage relationships with other firms, as shown in Nestlé's agro-allied partnerships example. Last but not least, it is possible to mention that the utilisation of regional frameworks such as AfCFTA requires taking measures to eliminate NTBs as well as improve cooperation across national borders. For this reason, without fixing the above-mentioned problems, Nigeria is likely to continue depending on the short-term portfolio fund while the envisaged FDI is not going to be transformative. There is an urgent need for Nigeria to improve the quality of political will, ensure institutional responsibility, and properly prioritise the sectors relevant to improving FDI inflow.

References

Amade, B., & Oyigebe, C. (2024). Geopolitical and infrastructural determinants of foreign direct investment in Nigeria. *Journal of International Development, 36*(2), 45–67.

Chete, L., Angahar, J., & Olanrele, I. (2024). Foreign direct investment and Nigerian macroeconomy. *European Journal of Economics, 4*(1). https://doi.org/10.33422/eje.v4i1.619

Edwin, M. (2014). *Foreign direct investment and policy frameworks in Nigeria: A historical analysis*. Lagos University Press.

Eniekezimene, A. F., Dappa, K., & Ovia, T. (2024). Short- and long-run linkages between foreign direct investment and economic growth: Evidence from Nigeria. *African Development Review, 40*(1), 112–130.

Eniekezimene, A. F., Wodu, E., & Anda-Owei, J. P. (2024). Foreign direct investment and economic growth in Nigeria: A revisit. *African Journal of Pure and Applied Sciences, 26*(2), 590. https://doi.org/10.9734/ajpas/2024/v26i2590

Giwa, A. B., George, E. O., Okodua, H. N., & Adediran, O. S. (2020). Empirical analysis of the effects of foreign direct investment inflows on Nigerian real economic growth: Implications for sustainable development goal-17. *Cogent Economics & Finance, 8*(1), 1727621. https://doi.org/10.1080/23311886.2020.1727621

Kazeem, Y. O., Adekunle, B., & Ibrahim, S. (2023). Market size, inflation dynamics, and foreign direct investment inflows in Sub-Saharan Africa: A focus on Nigeria. *Economic Modelling, 45*(3), 78–95.

Nwagu, K. C. (2023). The impact of macroeconomic variables on foreign direct investment in Nigeria. *Journal of Economic Studies, 16*(1). https://doi.org/10.55217/102.v16i1.615

Okegbe, T. O., Nwosu, P. C., & Eze, C. L. (2019). Sectoral contributions of foreign direct investment to GDP growth: Empirical insights from Nigeria. *Nigerian Journal of Economic Studies, 12*(4), 23–45.

Opuala–Charles, A., & Oshilike, A. (2022). National security, FDI and economic development in Nigeria. *International Journal of Development and Economic Studies, 10*(4), 15–25. https://doi.org/10.37745/ijdes.13/vol10n41525

Orji, A. Y., Nwagu, G. U., Ogbuabor, J. E., & Anthony-Orji, O. I. (2021). Foreign direct investment and growth nexus: Further evidence from Africa's largest economy. *Journal of Emerging Market Finance, 20*(3), 244–263. https://doi.org/10.1177/09749306211024433

Sani, A. S., & Ezekiel, A. (2022). Impact of infrastructure and inflation on foreign direct investment inflow to Nigeria. *International Journal of Economics and Finance, 4*(1), 63. https://doi.org/10.33545/26633140.2022.v4.i1a.63

Sule, S. A., Hakim, L., Rahayu, S. A. T., Samudro, B. R., Putro, T. R., & Pamungkas, P. (2023). The effect of exchange rate on export in Nigeria: An econometric analysis. *Economic and Social Empirical Economics, 2*(2), 167. https://doi.org/10.58812/esee.v2i02.167

Udoinyang, U. I., & Umoh, I. U. (2024). Foreign direct investment and poverty in Nigeria. *International Journal of Applied Economics and Management, 2*(3), 1651. https://doi.org/10.59890/ijaeam.v2i3.1651

World Bank. (2022). *Investment policy review: Nigeria*. World Bank Group. https://www.worldbank.org/en/country/nigeria