



Capital Imports and Economic Growth: Empirical Evidence from an Emerging Economy in Africa – Nigeria

HILARY ONOCHIE OBIGWE¹, FELIX NWAOLISA ECHEKOBA² AND
AMALACHUKWU CHIJINDU ANANWUDE³

^{1,2,3}Department of Banking and Finance, Nnamdi Azikiwe University, Awka, Anambra State

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Abstract: This study assessed how capital importation affected economic growth in Nigeria. Although previous research has examined the connection between capital importation and economic growth in Nigeria, few current studies have taken into consideration the most recent data and new developments. Specifically, the effects of foreign direct investment, foreign portfolio investment, and external borrowing on real gross domestic product were determined. Secondary data from the Central Bank of Nigeria (CBN) were diligently obtained for a period of thirty-eight (38) years, from 1986 to 2023. The study used the Autoregressive Distributed Lag (ARDL) technique. The result of the analysis revealed that there is a negative relationship between foreign direct investment (significant), external borrowing (insignificant), and real gross domestic product, while a positive (insignificant) relationship exists between foreign portfolio investment and real gross domestic product. Also, capital importation variables: foreign direct investment, foreign portfolio investment, and external borrowing have no significant effect on real gross domestic product. The study concludes that capital importation has not significantly contributed to economic growth in Nigeria. In reminisce to the conclusion therein, the Federal Government of Nigeria is urged to strengthen institutional frameworks, build out infrastructure, and enact sensible economic policies.

Keywords: capital importation, economic growth, Nigeria.

JEL Codes: C8, C32, E01, F21, G11

1. Introduction

A country's alliance with other nations is a precept since the entire globe is becoming a global community. Capital importation through international trade is one of the rational ways to build such an alliance. Regardless of a country's degree of economic development, this practice promotes beneficial relations between nations through the inflow of financial capital (e.g., foreign direct investment, portfolio investment, loans) (Aeez et al., 2014). Developing countries have long had a need for capital to supplement local savings and promote growth and development. This is prompted by the discrepancy between savings and investments needed to maintain economic growth, which is demonstrated by the focus placed on the need for foreign capital as a significant source of enlarging the savings-investment gap in most resource-poor economies, particularly in developing countries (Adeola, 2017). A country that engages in cross-border financial investments and funding need not worry about hegemony or losing its sovereignty because doing business across borders is mutually agreed upon. On the other hand, it has been demonstrated that a country that does not engage in cross border transactions runs the risk of experiencing a slow rate of economic growth because it is clear that such a country cannot fully possess all the resources required to be used for sustainable economic growth and development (Adeola, 2017).

Investment is an important factor for ensuring economic growth and the welfare of the citizens. One local means to ensure investment is domestic savings, which is at its lowest in most developing countries, including Nigeria. The Harrod-Domar Model has posited that the savings as well as investment rates must be between 18% - 20 % to sustain a 6% growth of GDP (Okoro et al., 2019). Unfortunately, like Nigeria, the majority of less developed nations are caught in the cycle of poverty. Their income levels are quite low, and they lack capital resources. Due to low income and poor savings ratio, the investment level has remained low. The taxable capacity, or earnings for the government, is likewise low due to low incomes at the same time. In such circumstances, the less developed nations experience a deficit in their balance of payments as well as a savings-to-investment imbalance. The savings-investment gap that most African nations, including Nigeria, are currently experiencing can be closed by luring overseas capital inflows through foreign direct and portfolio investment, foreign aid, and external loans, among other methods (Okoro et al., 2019). More than any other continent in the world, developing African nations need external cash as a borrowing source. When properly handled, capital importation

can improve the macroeconomic performance of the recipient countries or regions. This idea is causing people to be concerned about the size, reasons for, and effects of this ongoing capital importation (Chukwu et al., 2021).

Nigeria, the biggest economy in Africa and a major supplier of crude oil, has long depended on capital imports to fuel its economic growth. To promote industrialisation, boost general economic development, and augment domestic savings, capital importation, which includes foreign direct investment, portfolio investments, and other types of foreign capital inflows, is essential. Recent patterns, however, point to notable ups and downs in Nigeria's capital importation environment, which raises questions about their implications for long-term, steady economic growth. Nigeria saw a significant dip in foreign capital inflows in 2023; overall capital importation fell 26.4% to \$3.9 billion, the lowest level since 2007 (Kolawole, 2024). Given how crucial foreign investments are to closing the savings-investment gap and promoting technology transfer, this decline is concerning. There was a noticeable drop in several different investment categories: foreign direct investment was a pitiful \$377.4 million, indicating a worrying underperformance in luring long-term investments; foreign portfolio investment was \$1.15 billion, representing 29.5% of the total capital importation; and other investments came to \$2.38 billion, indicating a diverse but inadequate inflow of foreign capital. Only 11 out of 36 states received foreign investments in 2023, indicating a severely skewed distribution of capital importation (Ogunyale, 2024). Notably, the Federal Capital Territory (FCT) obtained \$1.17 billion, or 30% of the entire inflow, and Lagos State received \$2.50 billion, or 64% of the total. This concentration highlights a notable regional imbalance in the distribution of foreign investment, while the remaining 25 states earned a pitiful \$232.55 million in total. In 2024, there were indications of recovery despite the prior decline. In the first 10 months of 2024, capital imports increased by 224% year over year to \$9.04 billion (Adegbesan, 2025). However, the benefits of larger inflows may have been countered by rising capital outflows, which climbed by 77.5% to \$8.24 billion over the same period as this comeback. Although previous research has examined the connection between capital importation and economic growth in Nigeria, few current assessments have taken into consideration the most recent data and new developments. Examining the effect of capital importation on Nigeria's economic growth is essential, highlighting the necessity of this current study.

The study is structured as follows: following the first section's overview, reviewing pertinent literature was the main goal of section two; the methodology framework was explained in section three; the analysis and regression output results were given in section four; and recommendations and policy implications were presented in section five.

2. Literature Review

Capital importation refers to the inflow of foreign capital into a country, encompassing foreign direct investment (FDI), portfolio investments, and other financial instruments. These inflows are pivotal for supplementing domestic savings, fostering industrialisation, and promoting economic development. In Nigeria, capital importation has played a significant role in shaping the nation's economic landscape. Capital importation refers to the movement of money into a country for the purpose of investment, trade, or business operations. Inside a firm, these include the flow of funds in the form of investment capital, capital spending on operations, and research and development (R&D) (Chukwu et al., 2021). There have been significant changes in Nigeria's capital importation, according to recent data. Compared to US\$1,030.21 million in the same period of 2023, total capital imports in the second quarter of 2024 were US\$2,604.50 million, a significant rise of 152.81%. However, compared to the US\$3,376.01 million in the previous quarter, this amount represented a 22.85% decrease. The breakdown of these inflows showed that, of the overall capital importation in Q2 2024, FDI accounted for the least amount at US\$29.83 million (1.15%), while portfolio investment came in first with US\$1,404.70 million (53.93%), followed by other investments at US\$1,169.97 million (44.92%) (NBS, 2024). The process through which a country's wealth improves over time is known as economic growth. While the term is frequently used in discussions of short-term economic performance, in the context of economic theory, it generally refers to an increase in wealth over a long period of time. Economic growth is the increase in the production of goods and services in an economy over a specific period of time, usually measured by the rise in real Gross Domestic Product (GDP) or Gross National Product (GNP), which indicates an economy's increased ability to meet the needs and desires of its citizens and raise their standard of living. Economic growth is typically distinguished from economic development, the latter being limited to economies that are near the subsistence level.

The Modernisation Theory serves as the foundation for this study. Max Weber propounded this theory in 1864. Capital importation in accordance with modernisation ideas can boost growth in less developed nations; hence, dependency theory is based on independently generated and neoclassical growth theories. The core economic tenet of modernisation is that capital investment is the engine of economic growth. The modernised growth theories argue that technology transfer via foreign direct investment is especially important because the majority of developing countries lack the fundamental infrastructure, particularly in liberalised markets, social stability, and a literate population, necessary for novelty to be growth-enhancing (Calvo, 2012). According to Pradhan and Kumar (2012), apart from capital and technology, foreign direct investment typically comes in the form of a variety of assets, including management and administrative skills, access to markets through the marketing systems of multinational corporations, and the ability to showcase technology. As a result, capital intake has a dual role, increasing both the accumulation of capital and total factor output (Nath, 2015). While the dependency point of view argues that an economy's reliance on foreign investment has a detrimental impact on income distribution and economic growth.

Okoroigwe, Obilikwu, Yelwa, and Yusuf (2024) analyzed how the Nigerian industrial sector is affected by foreign capital inflows via the Central Bank of Nigeria (CBN). The study used a quantitative and descriptive research design and is consistent with the Modern Portfolio Theory. Recent publications, bulletins, reports, and special statistics from the CBN for the years 2021–2022 were among the secondary sources of data considered in the study. The study's primary focus, the Central Bank of Nigeria, provided economic reports that showed the substantial effects of foreign investment on Nigeria's industrial development. Due to rising crude oil export revenues, a higher trade surplus was recorded, indicating the influence on trade performance.

Eniekezimene, Wodu, and Anda-Owei (2024) evaluated how foreign direct investment (FDI) affected Nigeria's economic expansion between 1981 and 2022. The explanatory variables were foreign direct investment (FDI), gross fixed capital formation (GFCF), per capita income (PCI), and exchange rate (EXR), while the real gross domestic product growth rate (RGDPGR) served as a stand-in for economic growth. The study's theoretical underpinning was endogenous growth theory and the eclectic paradigm, and the model was estimated using the Autoregressive

Distributed Lag (ARDL) technique. The findings showed that while gross fixed capital formation was negligible, foreign direct investment, per capita income, and exchange rates were all positive but statistically unimportant over the long term for Nigeria's economic growth. But in the near term, GFCF had a major detrimental effect on economic growth in the second lagged year, demonstrating that a unit rise in GFCF reduced RGDPGR by roughly 10.21%, whereas per capita income had a positive effect on Nigeria's economic growth.

Kutu and Ohonba (2024) explored how foreign capital inflows affected Nigeria's economic expansion from 1984 to 2020. With GDP as the dependent variable and foreign direct investment (FDI), official development aid (ODA), and remittances (REM) as the explanatory variables, four primary pathways of foreign capital inflows were chosen. Overall, the results showed that, with the exception of official development aid, foreign capital inflows had a long-term effect on Nigeria's economic growth. In particular, the ARDL long-term result showed that FDI and REM have significant positive effects on GDP, suggesting that these two factors are important for fostering economic growth in Nigeria. Granger causality suggests that remittances are a predictor of economic growth in Nigeria since it demonstrates a unidirectional relationship that only runs from remittances to GDP. It's interesting to note that FDI and GDP have a reciprocal causal relationship, meaning they both influence one another. This generally suggests that one of the main drivers of Nigeria's economic growth is foreign capital intake.

Onwuteaka, Echekoba, Amakor, and Ananwude (2023) empirically examined how foreign capital movement affected Nigeria's economic growth. In particular, it was established how the human development index was impacted by foreign direct investment, foreign portfolio investment, external borrowing, and overseas remittances from the diaspora. Based on data from the World Bank and the Central Bank of Nigeria (CBN) Statistical Bulletin, the study encompassed thirty-six (36) years, from 1986 to 2021. Based on Adam Smith's theory of economic development, the study used an "ex-post facto" research approach and analysed the data using the Auto-Regressive Distributed Lag (ARDL) and Granger causality methodologies. The Granger Causality test showed that the human development index, which measures economic development in Nigeria, is not significantly impacted by foreign direct investment (p-value $0.2977 > 0.05$), foreign portfolio investment (p-value $0.3758 > 0.05$), external borrowing (p-value $0.4399 > 0.05$), or foreign remittances from

the diaspora (p-value $0.6010 > 0.05$). Comparably, the human development index has a negative, insignificant relationship with foreign direct investment (p-value $0.8087 > 0.05$) and foreign remittances from the diaspora (p-value $0.7114 > 0.05$); a positive, insignificant relationship with foreign portfolio investment (p-value $0.1497 > 0.05$); and a significant positive relationship with external borrowing (p-value $0.0009 < 0.05$).

The effects of both foreign direct investment and the exchange rate on Nigeria's economic development are established by Akpoviroro and Vareckova (2023). This study used secondary data and an ex-post facto research design. The exchange rate served as the control variable, whereas foreign direct investment served as the explanatory variable. The research covers the years 1981–2019. The Auto Regressive Distributed (ARDL) Model was used to estimate the model, and the explanatory variable was Gross Fixed Capital Formation, a stand-in for economic advancement. The Central Bank of Nigeria's Statistical Bulletin of 2019 and the World Bank Database's World Development Indicators of 2019 provided the data for this study. The study found that gross fixed capital formation increases by 1.4 units for every unit increase in foreign direct investment. Furthermore, gross fixed capital formation decreases by 0.03 units for every unit increase in the exchange rate, and vice versa. The results show a substantial negative correlation between EXR and GFCF and a modest positive correlation between FDI and GFCF.

Using a panel of 13 West African nations, comprising 7 low-income and 6 low-middle-income nations, Ayeni and Akeju (2023) examined the relationships between human capital, capital goods imports, and economic growth from 1980 to 2018. To determine the short- and long-term relationships between the variables, the study uses the Panel Auto-Regressive Distributed Lag (ARDL) cointegration techniques. According to the Panel ARDL (Fixed effect) result, equipment investment returns are generally moderately high. Findings showed that low-middle-income countries with relatively higher human capital (1.45 on average) benefited more from imported capital stock and other imports than low-income countries with very low human capital (1.27 on average), indicating the threshold of human capital development at which countries benefit from equipment investment.

Using the Dynamic Autoregressive Distributed Lag technique, Baba and Afroz (2023) evaluated how foreign trade and investment inflows affect Nigeria's economic growth throughout the Central Bank of Nigeria's indirect monetary policy period,

which runs from 1993Q1 to 2022Q3. The study further deconstructed the study period into two "pre-GFC" and "post-GFC" eras in order to examine the effects of the global financial crisis on the connection. The study concluded that international commerce only has a positive impact on growth during the global financial crisis, even though foreign capital inflows were a significant factor in Nigeria's economic growth during the studied period.

Olasehinde and Ajayi (2022) employed the Autoregressive Distributed Lag Bound approach (ARDL) to assess the link between economic growth (GDP) and foreign direct investment (FDI) in Nigeria from 1981 to 2020. The results showed that the variables used had a substantial long-term association. Real exchange rates (REXCR) and foreign direct investment (FDI) had both short- and long-term positive, significant effects on GDP. On the other hand, trade openness and interest rates have little short- and long-term effects on economic growth. Bidirectional causation between economic growth (GDP) and foreign direct investment (FDI) was shown by Pairwise Granger causation, indicating the impact of these two variables on one another.

Nigeria's economic growth and the impact of capital imports were examined by Chukwu, Ubah, and Ezeaku (2021). For this study, secondary data were gathered from the Central Bank of Nigeria's Statistical Bulletin between 2010 and 2019. The impact of the independent variables (foreign direct investment, portfolio investment, and other financial investment) on the dependent variable (real gross domestic product) was examined using VAR. The analysis concluded that, throughout the study period, capital importation had a favourable and negligible impact on the Nigerian economy.

Hanson, Ihemeje, Ogbonna, Amadi, and Obioma (2021) determined how foreign direct investment affected Nigeria's economic expansion from 1981 to 2017. The Bounds Test and the Auto Regressive Distributed Lag (ARDL) model were used as estimation methods to confirm that there is a long-term correlation between foreign direct investment and economic growth in Nigeria. Foreign direct investment, the currency rate, and the balance of trade were used as the independent variables, while real gross domestic product was used as the explanatory variable. The Central Bank of Nigeria's 2018 statistical bulletin provided the data set used. According to the Auto Regressive Distributed Lag (ARDL) model's empirical findings, real gross domestic product was positively and significantly impacted by

every variable except the exchange rate. Exchange has a negligible detrimental effect on real gross domestic product in Nigeria.

Oke and Ruth (2021) examined the effect of foreign capital inflow on economic growth in Nigeria from 1999 to 2020. The independent variables were foreign capital inflows measured by foreign debt inflows and foreign remittance inflows, foreign medical services and education and foreign direct investment outflows, while the dependent variable was economic growth measured by real gross domestic product per capita growth rate. The study collected data from the CBN Statistical Bulletin, World Bank Data Bank, and the International Monetary Fund. The study adopted the Ordinary Least Squares Regression techniques. Specifically, the study reported that both foreign debt inflows and foreign medical services and education exerted a significant negative effect on economic growth. Foreign remittance inflows exerted a significant positive effect on economic growth in Nigeria. Meanwhile, foreign direct investment inflows, though they exerted a positive effect on economic growth but were not statistically significant.

Anidiobu, Okolie, Onyia and Onwumere (2020) assessed the impact of external finance (proxied by external debt) on economic growth (measured by real GDP growth rate) in the Economic Community of West African States (ECOWAS) sub-region. Annualised panel data for 32 years (1986-2017) were obtained from World Development Indicators (WDI). Ex-post facto design was adopted because the data were secondary in nature. Individual characteristics of the series were ascertained with descriptive statistics. The stationarity of variables was tested using five test criteria, namely: Levin, Lin and Chu t ; Breitung t -stat; Im, Pesaran and Shin W -stat; ADF-Fisher Chi-square, and PP-Fisher Chi-square. The panel series became stationary when differenced at first, which proved that the panel series did not have a unit root. The Panel Least Squares (PLS) estimation process was used to analyse the modified models. The model was further analysed with both fixed and random effect panel regression estimators, using the Hausman test to ascertain the best and appropriate choice between the two. Thus, the analysis was based on the random effect (RE) estimator. A 5% error tolerance level was allowed for this study. The outcomes showed that external debt had a negative but significant effect on the real GDP growth rate.

Gabriel, John, and Baryl (2019) used data from the Central Bank of Nigeria that spanned the years 1981 to 2016 to investigate how capital inflows affected economic

growth in Nigeria. The chosen model was estimated using the autoregressive distributed lag and error correction model framework methods. The estimated model's results showed that capital inflows have a major impact on Nigeria's economic growth.

Ikpesu (2019) studied the growth impacts of capital inflows in Nigeria between 1981 and 2016 by using investment as a medium of transmission. To analyse the data, the study used the least squares regression approach. The study's conclusion shows that capital inflows significantly and favourably impact Nigeria's economic growth. This suggests that the country's economic progress has been aided by foreign capital inflows. Additionally, the study's findings demonstrated that domestic investment significantly and favourably influences Nigeria's economic expansion. It may be inferred from the study's results that both domestic investment and capital influx have boosted Nigeria's economy.

Alabi (2019) looked into how foreign direct investment affected Nigeria's economic growth. This analysis used secondary sources of data from 1986 to 2017, including the World Development Indicator published in 2019 and the Central Bank of Nigeria Statistical Bulletin (2017) published in 2018. The estimation methods that were employed were regression analysis and descriptive analysis. The study's results showed that foreign direct investment has a coefficient value of 0.633506 and a p-value of 0.0002, meaning that for every unit increase in foreign direct investment, the gross domestic product will rise by 0.633506. A unit increase in the real interest rate will raise gross domestic product, according to the coefficient value of 0.004127 and the p-value of 0.310, however, this difference is not statistically significant. Additionally, a unit increase in domestic investment will result in a positive gain in gross domestic product, according to the domestic investment coefficient value of 1.758036 with a p-value of 0.0688. This value is significant at the 10% alpha level but not at the 5% alpha level. The exchange rate is positive and significant for economic growth, as indicated by its coefficient value of 0.835206 and p-value of 0.0000.

Ani, Dauda, and Baajon (2018) ascertained the effect of capital flight on economic growth in Nigeria from 1981 to 2016 using the Unit Root, Co-integration, and Ordinary Least Squares (OLS) methods. Other independent variables that were employed include capital flight (CAF), gross fixed capital formation (GFCF), exchange rate (EXR), inflation (INF), and terms of trade (TOT). The conclusion is that, with the exception of the GFCF, all of the variables had an adverse effect on the GDP growth of the nation over the studied period.

3. Methodology

This study examined the effect of capital importations on economic growth in Nigeria between 1986 and 2023 using an ex-post facto research design. The Central Bank of Nigeria (CBN) Statistical Bulletin of 2023 provided the secondary data used in this investigation. The dependent variable was economic growth measured with Real Gross Domestic Product (RGDP), while the independent variables were Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and External Borrowing (EXBR). The model was estimated using the Autoregressive Distributed Lag (ARDL) Bound approach. Onwuteaka, Echekoba, Amakor, and Ananwude's (2023) model, which examined the effect of international capital inflows on Nigeria's economic development, was adapted and modified. This is how the original model is expressed:

$$HDI = f(FDI, FPI, EXTB, FRND)$$

Where:

HDI = Human Development Index

FDI = Foreign Direct Investment

FPI = Foreign Portfolio Investment

EXTB = External Borrowing

FRND = Foreign Remittance from Nigerians in Diaspora

A functional model is thus defined by modifying their model to include real gross domestic product rather than the human development index:

$$RGDP = f(FDI, FPI, EXBR) \quad (2)$$

In the econometric transformation of equation (2), the following model was created:

$$RGDP_t = a_0 + a_1 FDI_t + a_2 FPI_t + a_3 EXBR_t + u_t \quad (3)$$

Where:

RGDP = Real Gross Domestic Product

FDI = Foreign Direct Investment

FPI = Foreign Portfolio Investment

EXBR = External Borrowing

a_0 = constant coefficient;

$a_1 - a_3$ = coefficient of the independent variables

μ = a random error term; and

t = the temporal trend; typically used in conventional time-series specifications to compensate for the factors that are not included in the model.

4. Results and Discussion

4.1. Descriptive Analysis

Table 1 displays descriptive statistics for the variables. It displays the mean, median, maximum, minimum, standard deviation, sum of mean deviation, and total number of observations. RGDP, FDI, FPI, and EXBR have respective mean values of 41418.3, 2482.01, 2618.63, and 3991.04, while their study variable medians are 36247.7, 890.415, 244.855, and 961.875. The series' lowest values are 15237.99, 22.23000, -1618.800, and 41.44500 for RGDP, FDI, FPI, and EXBR, respectively, while the highest values are 76684.94 for RGDP, 29660.30 for FDI, 36851.80 for FPI, and 38219.85 for EXBR. For RGDP, FDI, FPI, and EXBR, the corresponding standard deviations are 21963.59, 5564.510, 7294.699, and 7191.885, respectively. Positive skewness, a gauge of the asymmetry of the series' distribution around its mean, is present for all variables. Kurtosis, which measures how peaky the variable distribution is, is greater than 3.0 and applies to all variables except EXBR. All of the variables' p-values for the Jarque-Bera test are significant at the 5% level, indicating that they are all normally distributed and devoid of any outliers that could skew the results of the regression.

Table 1: Descriptive Properties of Data

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	P-value	Obs
RGDP	41418.3	36247.7	76684.94	15237.99	21963.59	0.295242	1.443368	15.38864	0.00143	38
FDI	2482.01	890.415	29660.30	22.23000	5564.510	3.680646	16.90645	391.9984	0.00000	38
FPI	2618.63	244.855	36851.80	-1618.800	7294.699	3.654277	15.94963	350.0874	0.00000	38
EXBR	3991.04	961.875	38219.85	41.44500	7191.885	3.306298	15.03493	298.5628	0.00000	38

Source: Output data from E-views 12.0

4.2. Unit Root Test

The stationarity tests that were used were the Phillips Perron (PP) and the Augmented Dickey-Fuller (ADF) tests. The test for stationarity was performed at first difference and in two sets: intercept and trend intercept, because the majority of time series data are not always stationary at level form. All of the variables are stationary at first

difference, according to the findings of the ADF and PP tests. Tables 2–3 provide specifics about the unit root tests.

Table 2: Result of ADF Test

<i>Variables</i>	<i>Intercept</i>	<i>Trend and Intercept</i>	<i>Remark</i>
RGDP	-3.044630 (0.04)**	-6.068288 (0.00)*	Stationary
FDI	-8.215140 (0.00)*	-8.095393 (0.00)*	Stationary
FPI	-9.176759 (0.00)*	-9.209057 (0.00)*	Stationary
EXBR	-8.422956 (0.00)*	-5.716860 (0.00)*	Stationary

Note: The optimal lag for ADF test is selected based on the Akaike Info Criteria (AIC), p-values are in parentheses where (*) & (**) denote significance at 1% and 5% respectively.

Table 3: Result of PP Test

<i>Variables</i>	<i>Intercept</i>	<i>Trend and Intercept</i>	<i>Remark</i>
HDI	-2.982886 (0.04)**	-5.037857 (0.00)*	Stationary
FDI	-21.31358 (0.00)*	-20.62363 (0.00)*	Stationary
FPI	-12.23548 (0.00)*	-17.09121 (0.00)*	Stationary
EXBR	-5.917027 (0.02)**	-5.278433 (0.00)*	Stationary

Note: The optimal lag for ADF test is selected based on the Akaike Info Criteria (AIC), p-values are in parentheses where (*) & (**) denote significance at 1% and 5% respectively.

4.3. ARDL Long-Run Relationship

Testing the long-term association between economic growth and capital importation variables—foreign direct investment, foreign portfolio investment, and external borrowing—was made possible by the data's confirmed stationarity. Because it accounts for the varying order of variable integration, the Autoregressive Distributed Lag (ARDL) was used. Because the f-statistic of 3.249653 is less than the upper and lower bound tests of 3.25 and 4.35, respectively, at a 5% significance level, Table 4 shows that there is no long-term link between real gross domestic product and capital importation.

Table 4: ARDL Bound Test for RGDP → FDI + FPI + EXBR

<i>T-Test</i>	<i>5% Critical Value Bound</i>		<i>Remark</i>
<i>F-Statistic</i>	<i>Lower Bound</i>	<i>Upper Bound</i>	
3.249653	3.25	4.35	Null Hypothesis Accepted

Source: Output data from E-views 12.0

4.4. ARDL Short Run Relationship

While external borrowing and real gross domestic product have a negative, negligible link, foreign direct investment and real gross domestic product have a strong negative association, according to Table 5 results. However, there is a negligible positive correlation between real gross domestic product and foreign portfolio investments. Real gross domestic product would reach ₦437.45 billion with little growth if external borrowing, foreign direct investment, and foreign portfolio investment remained unchanged. According to the analysis of the coefficient of the individual independent variables, real gross domestic product would decrease by 90.46% and 30.55%, respectively, for every percentage increase in foreign direct investment and external borrowing, while real gross domestic product would increase by 3.29% for every unit increase in foreign portfolio investment. The combined variation in capital importation, as determined by the variables of foreign direct investment, foreign portfolio investment, and external borrowing, was responsible for 99.73% of changes in real gross domestic product, according to the modified R-squared coefficient of 0.997369. Foreign direct investment, foreign portfolio investment, and external borrowing all significantly ($0.00 < 0.05$) explained the magnitude of changes in real gross domestic product, according to the F-statistic, which assesses whether or not changes in the dependent variable are significant. There is no autocorrelation in the calculated model, according to the conventional Durbin Watson test of autocorrelation value of 2.08.

Table 5: ARDL Regression for RGDP → FDI + FPI + EXBR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RGDP (-1)	1.515795	0.164406	9.219839	0.0000
RGDP (-2)	-0.500290	0.168923	-2.961647	0.0084
FDI	-0.904622	0.252887	-3.577180	0.0022
FDI (-1)	0.541458	0.174408	3.104553	0.0061
FDI (-2)	0.217624	0.135712	1.603575	0.1262
FDI (-3)	0.516144	0.283250	1.822219	0.0851
FPI	0.032908	0.099991	0.329104	0.7459
FPI (-1)	0.355632	0.127956	2.779339	0.0124
FPI (-2)	-0.648304	0.204868	-3.164498	0.0054
FPI (-3)	-0.401841	0.193852	-2.072929	0.0528
FPI (-4)	-0.423845	0.223688	-1.894807	0.0743
EXBR	-0.305507	0.159269	-1.918186	0.0711

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXBR (-1)	0.721924	0.327508	2.204296	0.0408
EXBR (-2)	-0.719052	0.469369	-1.531954	0.1429
EXBR (-3)	0.462129	0.298963	1.545776	0.1396
C	437.4581	798.8129	0.547635	0.5907
R-squared	0.998565	Mean dependent var		44408.34
Adjusted R-squared	0.997369	S.D. dependent var		21290.34
S.E. of regression	1091.968	Akaike info criterion		17.13454
Sum squared resid	21463098	Schwarz criterion		17.85283
Log likelihood	-275.2872	Hannan-Quinn criterion.		17.37950
F-statistic	835.1117	Durbin-Watson stat		2.089284
Prob (F-statistic)	0.000000			

Source: Output data from E-views 12.0

4.5. Diagnostic Tests

Table 6 processed the residual (heteroskedasticity and serial correlation) and stability (Ramsey specification). According to the results, there is no autocorrelation in the model according to the serial correlation LM test ($0.265209 > 0.05$). When considering the Ramsey specification, the model is properly defined ($0.583441 > 0.05$) and does not have a heteroskedasticity issue ($0.292993 > 0.05$).

Table 6: Diagnostic Test

Model Estimated Serial Correlation LM Test	F-statistic	Prob.
RGDP \rightarrow FDI + FPI + EXBR	0.265209	0.7704
Heteroskedasticity Test		
RGDP \rightarrow FDI + FPI + EXBR	0.292993	0.9899
Ramsey Reset Specification		
RGDP \rightarrow FDI + FPI + EXBR	2.583441	0.1264

Source: Output data from E-views 12.0

4.6. Granger Causality Test Result

The Granger causality analysis was used to ascertain how capital importation affected Nigeria's economic growth. At a significance level of 5%, the regression output in Table 7 shows that there is no unidirectional or bidirectional causal association between real gross domestic product and external borrowing, foreign direct investment, and foreign portfolio investment. This implies that Nigeria's real gross domestic product is not significantly impacted by capital importation variables.

Overall, this indicates that during the analysed period, capital importation did not substantially contribute to Nigeria's economic growth.

Table 7: Granger Causality Result

<i>Null Hypothesis:</i>	<i>Obs</i>	<i>F-Statistic</i>	<i>Prob.</i>	<i>Remarks</i>
FDI does not Granger-cause RGDP	36	1.07419	0.3539	No Causality
RGDP does not Granger FDI		0.85116	0.4367	No Causality
FPI does not Granger-cause RGDP	36	0.33070	0.7209	No Causality
RGDP does not Granger-cause FPI		0.86736	0.4300	No Causality
EXBR does not Granger-cause RGDP	36	0.18636	0.8309	No Causality
RGDP does not Granger-cause EXBR		0.05536	0.9462	No Causality

Source: Output data from E-views 12.0

4.7. Variance Decomposition

The variance decomposition was computed to determine the relative contributions of foreign direct investment, foreign portfolio investment, and external borrowing to real gross domestic product. Table 8 demonstrates that foreign borrowing has a greater impact on changes in real gross domestic product. Foreign direct investment comes last, followed by foreign portfolio investment. However, changes in the real gross domestic product itself provided a better explanation for the volatility in the actual gross domestic product.

4.8. Impulse Response Function

The impulse response function analysis was used to calculate the amount of variance in real gross domestic product caused by a unit change in foreign direct investment, foreign portfolio investment, and external borrowing. The results are shown in Table 9. It was discovered that any shock to foreign direct investment has a negative short, medium, and long-term impact on real gross domestic product (see periods 2–10). Conversely, any shock to external borrowing and foreign portfolio investment has a favourable short, medium, and long-term impact on real gross domestic product (see periods 2–10).

4.9. Discussion of Findings

The ARDL co-integration shows that there is no long-run relationship between capital importation and economic growth in Nigeria. This is not in line with Chukwu, Ubah, and Ezeaku (2021), whose empirical findings revealed the presence

Table 8: Variance Decomposition of RGDP

<i>Period</i>	<i>S.E.</i>	<i>RGDP</i>	<i>FDI</i>	<i>FPI</i>	<i>EXBR</i>
1	1268.420	100.0000	0.000000	0.000000	0.000000
2	2365.040	98.27518	0.162904	0.157641	1.404274
3	3441.816	94.89454	1.288076	0.607862	3.209524
4	4500.198	89.95005	3.393609	1.052712	5.603633
5	5601.487	82.24251	5.628376	2.757854	9.371259
6	6834.462	71.28516	7.226657	6.455307	15.03287
7	8424.126	56.29836	7.859914	12.51802	23.32371
8	10805.00	38.61889	7.376745	20.50910	33.49527
9	14653.84	22.41830	6.036494	28.55620	42.98900
10	20926.41	11.19284	4.474198	34.70050	49.63246

Source: Data output via E-views 12.0

Table 9: Impulse Response Function of RGDP

<i>Period</i>	<i>RGDP</i>	<i>FDI</i>	<i>FPI</i>	<i>EXBR</i>
1	1268.420	0.000000	0.000000	0.000000
2	1971.814	-95.45617	93.90154	280.2622
3	2396.740	-378.7807	251.3771	549.2326
4	2641.058	-731.2179	375.7460	868.6956
5	2754.716	-1038.619	807.5453	1343.708
6	2737.199	-1268.687	1466.268	2020.259
7	2579.812	-1484.014	2422.449	3087.077
8	2265.873	-1741.939	3880.781	4749.022
9	1747.314	-2085.726	6113.605	7294.335
10	935.5183	-2575.017	9520.424	11181.92

Source: Data output via E-views 12.0

of a long-run relationship between capital importation and economic growth in Nigeria. There are a number of structural and macroeconomic reasons why capital importation and economic growth in Nigeria do not have a long-term relationship. Instead of long-term foreign direct investment, a sizable amount of Nigeria's capital importation is short-term portfolio investments. The advantages of initial inflows are offset by capital flight, which occurs when portfolio investors repatriate earnings rather than reinvesting them (Oyedokun & Babatunde, 2023). Nigeria's inadequate infrastructure, underdeveloped human capital, and ineffective financial systems, which impede the effective use of foreign investment, could be another factor. Long-term growth cannot be achieved by capital importation unless there is strong

domestic investment and legislative changes with financial institutions devoid of corruption.

The majority of the empirical studies in the Nigerian setting focused mostly on foreign direct investment and portfolio investment; however, this present study introduces external borrowing as an aspect of capital importation. Nigeria is known for constantly borrowing from international lending agencies, thus fueling more capital importation, whereas on the detrimental part, it increases the debt profile of the country. For instance, Nigeria received a \$254.76 million loan from the China Development Bank in January 2025 to build a standard-gauge railway that would connect Kano and Kaduna States. The short-run relationship evidences a statistically significant negative relationship between foreign direct investment and real gross domestic product. This supports the works of Chukwu, Ubah, and Ezeaku (2021) and Onwuteaka, Echekoba, Amakor, and Ananwude (2023). Nevertheless, it refutes the results of Eniekezimene, Wodu, and Anda-Owei (2024), Olasehinde and Ajayi (2022), and Hanson, Ihemeje, Ogbonna, Amadi, and Obioma (2021) on the positive link between foreign direct investment and real gross domestic product. Foreign portfolio investment related positively and insignificantly to real gross domestic product. The insignificant nature of the relationship may be tailored to the developing nature of the Nigerian financial market relative to that of South Africa, the United States of America, China, Japan, and the United Kingdom, among others. External borrowing was found to have a negative insignificant relationship with real gross domestic product. This buttresses the theoretical hypothesis that rising external debt crowds out private investment with a resultant effect in decline in real gross domestic product. The revelation puts to contention the findings of Oke and Ruth (2021) and Anidiobu, Okolie, Onyia and Onwumere (2020) on the positive linkage between external borrowing and real gross domestic product. The Granger Causality test provided evidence that foreign direct investment, foreign portfolio investment, and external borrowing have no significant effect on real gross domestic product. This makes one wonder if the results of Okoroigwe, Obilikwu, Yelwa, and Yusuf (2024), Kutu and Ohonba (2024), Akpoviroro and Vareckova (2023), Olasehinde and Ajayi (2022), and Hanson, Ihemeje, Ogbonna, Amadi, and Obioma (2021) on the significant impact of foreign direct investment on real gross domestic product were intricate by the methodological approach adopted. However, it still lent credence to Onwuteaka, Echekoba, Amakor, and Ananwude (2023), who

envisaged that real gross domestic product is not significantly affected by capital importation. Following the overall findings from this study, the insignificant effect of capital importation on the economic growth of Nigeria is hereby affirmed.

5. Conclusion and Policy Implications

The effect of capital importation on Nigeria's economic growth is still up for debate because of macroeconomic instability and structural inefficiencies. Although capital importation offers short-term liquidity, capital flight, poor institutions, corruption, and an undeveloped financial sector limit its long-term effects. To this end, it is concluded that capital importation has not significantly contributed to economic growth in Nigeria. In reminiscence to the conclusion therein, the Federal Government of Nigeria is urged to strengthen institutional frameworks, build out infrastructure, and enact sensible economic policies. Capital importation will continue to have a negligible and erratic effect on long-term economic growth in the absence of these changes. In order to eradicate an unpredictable and non-competitive investment environment, zero tolerance for corruption is being advocated by the authors. Our claim is founded on the premise that foreign businesses are subject to bribery demands, contract manipulations, and unfair commercial practices when corruption infiltrates regulatory authorities, which causes capital flight.

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