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The Impact of One-Stop-Shop Investment Centre in Facilitating Foreign Direct Investment Inflow into Nigeria

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Abstract: *The study was conducted to examine the impact of One-Stop-Shop Investment Centre in facilitating foreign direct investment inflow into Nigeria using descriptive analysis, trend analysis and other econometrics tests such as ADF unit root test, Johansen cointegration, Vector Error Correction and Pairwsise Granger Causality test. The result shows positive relationship between D1 representing the impact of OSIC in facilitating FDI and FDI inflow into Nigeria within the period of study. The results shows precisely that any efficient and effective operations of OSIC would result to 2.2% increase in the inflow of FDI in Nigeria. This result was also statistically significant at 1% level. The causality test showed uni-directional causality between DI and FDI in Nigeria during the period of analysis. This implies that DI representing the OSIC has significantly facilitated the inflow of FDI into Nigeria. The result was statistically significant at 1% level. The government is urged to strengthen and expand the capacity of OSIC via expansion in budgetary provision and employment of additional hands so as to improve on the little progress made so far in facilitating the inflow of FDI in Nigeria and finally, the government should as a matter of priority tackle once and for all the lingering security challenges prevalent in Nigeria be it Boko Haram, bandits, and insurgents. Security of lives and property remains critical to the continued inflow of FDI into Nigeria.*

Keyword: *Impact, One Stop Shop Centre, FDI, Inflow, Nigeria*

JEL Classification Code: *C5, C58 & D53*

1. INTRODUCTION

The interconnectedness of world economies catalyzed by the forces of globalization and trade liberalization of sectors hitherto considered exclusive for state control in many countries has inevitably brought issues on Foreign Direct Investment (FDI) to the front burner of economic and political discourse (Effiom & Edet, 2019). Besides the ubiquitously dynamic forces of globalization, local constraints in mobilizing financial resources required for sustainable development has necessitated the drive for FDI to complement the widening resource gap of most developing economies (Tyopev, 2019). Consequently, developed as well as emerging economies

in particular are all scrambling to attract FDI. Velde (2006) stresses the existence of divergence of opinions on the imperatives of FDI. On the one hand is the belief that FDI leads to economic growth and productivity increases in the economy as a whole, accounting for differences in economic growth and development performances across countries (Obi, 2017) and the other emphasize the risk of FDI destroying local capabilities and extracting natural resources without adequately compensating poor countries (Tyopev, 2019). The later premise arguably finds justification in the activities of Multinational Corporations (MNCs) in resource rich countries but with weak governance and institutional structures.

Still, a third and perhaps an emerging strand of research on FDI shifts emphasis to the type of FDI, firm characteristics, economic conditions and policies (Umoh, 2007). It argues that the type and sequencing of general and specific policies in areas covering investment, trade, innovation and human resources are now seen as crucial in affecting the link between FDI and development rather than the broad dichotomous perception of positive or negative contributions of FDI. It argues further that although FDI inherently offers superior capital and technological inflow, domesticating the accruable benefits is not an automatic process (Effiom & Ebi, 2016 and Obi, 2017).

In view of the relevance of FDI to national economic growth and development, the Nigerian government has over time formulated and implemented radical and pragmatic policies, programmes, legal and institutional reforms to enhance the attractiveness of Nigeria's investment opportunities and foster confidence in the economy as a destination of choice within the sub-region for FDI. The liberalization of sectors of oil and gas, financial services, mining and solid minerals, tele-communications, power, and agriculture was considered strategic to national development and largely shielded from private investment was vigorously pursued to allow for foreign investment, ownership and/or control (Obi, 2017). Also, concerted efforts and resources were channelled to establishing new investment opportunities, as well as strengthening the capacity of existing institutions and agencies to cope with the changing paradigm. Umoh (2007) noted that by eliminating bureaucratic obstacles which hinder private sector investments, these reforms stimulated and increased private sector participation in the country.

In Effiom & Ebi (2016) and Tyopev (2012), it was shown that Nigeria as a major driver and competitor for FDI amongst other countries of the world lacks an investment policy framework, one of the crucial benchmarks advocated by the Organization for Economic Cooperation and Development

(OECD) and United Nations Conference on Trade and Development (UNCTAD) as conditions necessary to attract investment. Besides investment policy, other equally significant components of the OECD and UNCTAD frameworks include investment promotion and facilitation, which ensures that a location is investor friendly (Obi, 2017). This element seeks to sell that location to investors in order to attract, capture and retain investment. Others include investment incentives, infrastructure development, access to justice, access to land, business linkages and small and medium enterprises development, as well as gender issues which defines the extent to which women are integrated into the development process (Adenyuma & Oga, 2019). It is in line with these arguments supporting investment promotion and facilitation that the federal government took a bold step in strengthening the capacity of the Nigeria Investment Promotion Commission (NIPC) by establishing a One-Stop-Shop Investment Centre (OSIC) in 2006. It is over 14 years now that OSIC was established and hence the present study made pertinent effort at investigating or assessing the efficacy of OSIC as a government policy measure aimed at facilitating the inflow of FDI into Nigeria.

Several study questions have been raised to provide additional insights into the investment promotion and facilitation by OSIC in Nigeria. Has the establishment of OSIC in Nigeria ease investment promotion strategy in the country? How consistent is it with the OECD and UNCTAD framework? Are there other mechanisms and targets for investment promotion delivery in Nigeria? What impact has the government investment and promotion strategy had on private and public sector investment in Nigeria? What are the challenges confronting OSIC in delivering to the mandate of investment promotion in Nigeria? To provide empirical answers to these questions, this research is set out to assess the impact of OSIC under the NIPC in promoting foreign investment in Nigeria.

To further encourage investment, Nigeria has also provided a broad range of incentives nearly all of which were taxes or import-tariff related and applicable to enterprises producing for domestic as well as export markets. In addition, 11 export processing zones, with more under development, were overseen by the Nigerian Export Processing Zone Authority (NEPZA) (Obi, 2017). Despite these incentives, FDI remains concentrated in the oil and gas sector (Adenyuma & Oga, 2019). In order to improve services for intending investors, the OSIC was established under the NIPC in March 2006 (Obi, 2017). The Centre immediately brought together the agencies responsible for the processes, procedures, and requirements for business entry permits, licences, and authorizations in order to reduce the cost of a business entering and establishing in Nigeria

by simplifying procedures and speeding up the processing of application forms (Adenyuma & Oga, 2019).

In the last few years too, the Nigerian government has shown its determination towards creating a conducive and enabling environment for investors coming into the country. At the moment, the government has focused more on enhancing the ease of doing business in Nigeria with various initiatives being established to achieve this. Recently in May 2018, the NIPC, ably supported by the United Nations Economic Commission for Africa (UNECA) and the UNCTAD, launched an online investment guide called *"'iGuide Nigeria"* to aid investors with the substantive and procedural requirements for investing in Nigeria (Adenyuma & Oga, 2019). The *iGuide* is an online platform which aims to provide investors/potential investors with up to-date and relevant information on investment opportunities, processes, procedures, laws and costs of doing business in Nigeria.

Thus, to what extent has the establishment of the OSIC and other accompanied incentives facilitated the inflow of financial resources particularly FDI into Nigeria? With the worsening insecurity owing to the activities of Boko Haram, insurgents, kidnappers, militia, bandits and official corruption across Nigeria and the subsequent relocation of certain genuine business ventures especially out of Northern Nigeria, what remains the impact of this government policy measure in easing the cost of business undertaking and operation and at the same time encouraging FDI inflow into Nigeria? To this end, the paper on the impact of ISOC in Nigeria at this time is highly justifiable. The scope of the research is Nigeria while data coverage has spanned 1995 and 2020. The choice of this time period was chosen because there was NIPC for investment facilitation in 1995 but OSIC as a policy measure and programme of government came in 2006 to further facilitate investment inflows into Nigeria. There is therefore, a period before and after the OSIC establishment in 2006. Year 2020 was definitely chosen as the current year of research and hence secondary data was only available. The study was for a small sample period of 25 years permitted the necessary correlational and regressional analysis as well as the direction of causality amongst the selected variables.

2.1. Conceptual Framework

2.1.1. Nigeria's Business Environment

Business has become part and parcel of human existence in particular and global world in general. Business is described as a want satisfying entity; it exists to provide satisfaction irrespective of its size (Effiom, & Edet, 2019).

Adeusi & Kolapo (2006) defined business as an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants. He opined that all of us need food, clothing and shelter; we also have many other household requirements to be satisfied in our daily lives. We meet these requirements from the shopkeeper. The shopkeeper gets from wholesaler, the wholesaler gets from manufacturer all of them involved in this distribution process are doing business and they can be regarded as business fellows.

Adenyuma & Oga, (2019 sees business as the regular production or purchase and sales of goods undertaken with the aim of making profit and acquiring wealth through the satisfaction of human wants. Business refers to a form of activity conducted with an objective of making profits for the benefit of those on whose behalf the activity is conducted (Obi, 2017). To Tyopev (2019), it is human activity directed towards producing or acquiring wealth through buying and selling of goods. Basically, the word business in the context of this work connotes continuous production and distribution of goods and services with the aim of making profits under unpredictable market situations. On the other hand, Effiom & Ebi (2016) defines environment as the outer physical and biological systems in which man and other organisms live in a wholly albeit, a complicated one with many interacting components. On their part, Azhar & Marimuthu (2012) sees environment as the sum total of all external conditions influencing the growth and development of an organism. These factors or conditions could be physical, biological, social and cultural. Common to the views expressed above is the external conditions which influence the continued existence of man and its activities.

From the foregoing, we can talk of the physical environment, which include all aspects of geographical and ecological nature such as weather, climate, atmosphere, water and soil, economic environment such as business policies formulated by government; political environment such as the political decisions undertaken by the government and social or cultural environment, which include the norms, values and beliefs that influence the development and activities of man (Effiom & Edet, 2019). Business environment can be simply understood as the combination of all environmental conditions and influences that are capable of affecting or influencing business activities.

Nigeria is a country blessed with abundant resources. It is expected that every necessary infrastructure needed to drive the economy are put in place to enable business and all other economic activities thrive accordingly. But unfortunately, in the contemporary Nigeria, the most critical

infrastructure needed to drive the economy is conspicuously absent. Power (Electricity) supply is poor, roads are bad, policies are unstable and insecurity unabated (Gisaor, 2020). This picture clearly depicts unfriendly business environment. Although, Nigeria has a population of over 200 million (National Population Commission, 2019) and present a wonderful climate for investment, there are 36 states, with federal capital territory, 744 local government headquarters as well as several other cities and big towns, each with substantial population, but, business opportunities, which serves as hallmark of big cities has remain precarious in most of these cities. There are lot of factors that shape business environment. Tyopev (2019) and Adenyuma & Oga (2019) identified the following factors;

Technological factors:- This include research and development activity, technological incentives and the rate of technological change. They can determine barrier to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality and stimulate further invention, innovation and competition. **Ecological factors**:- These include environmental aspect such as weather, climate, and climate change, which may affect industries like tourism farming and insurance. Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones. **Legal factors**: Included in this component are discriminatory law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products. **Political factors**: This is described as the extent and level of government direct and indirect intervention and influence on businesses in an economy. In particular, political factors include the following areas; tax policy, labour law, environmental law, trade restrictions, tariffs, incentives and political stability. It may also involve goods and services which the government provide or has intention to provide or not to provide. **Economic factors**:- These are economic growth, interest rates, exchange rates and the inflation rate. These factors have influence on the operation and determination of businesses. For instance, interest rates affect the costs of exporting goods and the supply and price of imported goods in an economy. The last but not the least factor is the social factors, which is the cultural aspects. These aspects include health consciousness, population growth rate age distribution, career attitudes and emphasis on safety nets. Apart from these factors, other factors such as financial sources, image and reputation, information system, required skills and professionals also affect business environment. Many of these factors are present in Nigeria and capable of affecting businesses.

2.1.2. Foreign Direct Investment in Nigeria

Foreign Direct Investment is an investment that involves the injection of foreign funds into an enterprise that operates in a different country of origin from the investor (Effiom & Edet, 2019). FDI has further been explained as the long term investment reflecting a lasting interest and control by a foreign direct investor or parent enterprise of an enterprise entity resident in an economy other than that of the foreign investor (International Monetary Fund, 2018). As FDI flows grew in volume and complexity in the 1990s and early 2000s, three new players appeared on the global stage: They are: sovereign wealth funds (SWFs), which were government controlled entities with the authority to take significant equity stakes in foreign firms; private equity (PE) firms, which resorted increasingly to cross-border acquisitions, and emerging-market multinational enterprises (EMNEs), which ratcheted up their overseas acquisitions and investments (Effiom & Ebi, 2016).

The return of political structures, institutions and governance in Nigeria to democratic rule in 1999 marked a watershed in the general economic and investment climate in the country. Political events in the country before this time earned her the infamous status of a pariah state, deserted by many nations. Thus, FDI inflow to Nigeria witnessed a remarkable improvement from the 2000s forward, though punctuated irregularly by recessions and other structural rigidities in the economy (Obi, 2017). From a whopping $532 million in 1993, FDI experienced a consistent and sharp decline in the three succeeding years (Nigeria Investment Promotion Commission, 2003). It must be recalled that this period marked one of the most turbulent years in Nigeria's political history with the annulment of the June 12 1993 Presidential elections as well as the sordid aftermath and impasse that engulfed the nation.

However, by 1996, there was a sudden increase in the inflow of FDI to $597 million (Nigeria Investment Promotion Commission, 2003). This astronomical increase was however unsustainable in view of the unfolding political turmoil and uncertain economic climate in the country. Thus, from 1997 to 2005, the performance of FDI could best be described as both unstable and mediocre. In 2005, Nigeria secured a historic debt relief from the Paris Club of Creditors, with attendant positive perception on her credit rating and macroeconomic environment (International Monetary Fund, 2018). This perhaps explained why FDI inflow into Nigeria from that year assumed an acute and upwardly consistent trajectory, reaching a peak of $1.5billion in 2009 before plummeting sharply again to its nadir value of $816million in 2011. From thence onwards, FDI inflow has been unstable (UNCTAD, 2018).

Furthermore, statistical data buttressed FDI as a percentage of Gross Fixed Capital Formation maintained a consistently downward decline from

10.4% in 2012 to 4.2% in 2015 (Obi, 2917). Its sharp rise to 9.2% was short-lived as it fell marginally to 7.2% in 2017 (UNCTAD, 2018). The same lack-lustre performance can be gleaned from the latter, where for the seven year period beginning from 1995 and 2012- 2017 when OSIC was already established, FDI as a ratio of GDP remained at an average of 15.4%, which was not significantly different from its 1995 level. Indeed UNCTAD (2018) reports a decrease of FDI inflow to Nigeria by 21% in 2017. In real terms, this is precisely $3.5billion.

Aggregately, FDI inflow in Nigeria for the same year was estimated at $97.6billion, representing 24.4% of GDP. This loss was reversed in the second quarter of 2018 where FDI grew by 5.9% ($261.35m) compared to the first quarter of the same year. The message here is simple: There is a huge correlation between investment and general economic performance. Indeed it is not strange that the poor performance of the economy in recent years bears resonance to the downturn in FDI inflow in Nigeria. This is strongly corroborated by UNCTAD (2018) which avers that the number of Green Field Investments in Nigeria dropped steadily from 53 projects in 2015 to 36 in 2017. Green Field investments *"are a form of FDI where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up"*.

To further worsen the Nigerian situation between 2019 and 2020 is the effect of COVID-19 pandemic which forced severe lockdowns in most economies resulting into restrictions in labour movements across most countries of the world thereby affecting their work places or incomes, welfare and survival, particularly for casual workers in the informal sectors (Levine & McKibbin, 2020). Furthermore, consumers in various countries became handicapped to demand for goods and services (United Nations, 2020). Given this high uncertain economic environment, certain enterprises actually delayed various financial commitments which included purchases of products and outright hiring of labour. As such, prospects for national economies and free flow of FDI deteriorated rapidly. While statistical forecasts may not be accurate and largely under report the situation, they all indicate to a significant negative effect on the national economies, at least in the first half of 2020. How then has the establishment of NIPC and OSIC influenced the volume and pattern of FDI inflow into Nigeria? This has no doubt taken us into reviewing the NIPC and OSIC respectively.

2.1.3. The One-Stop-Shop Investment Centre

The One-Stop-Shop Investment Centre (OSIC) was set up by the Nigeria Investment Promotion Council (NIPC) since March 2006 and is housed

within the premises of NIPC in Abuja and a site for the forthcoming Lagos branch has been acquired. OSIC was opened with the stated objective of addressing *"problems related to the multiplicity of agencies involved in various aspects of investment facilitation in Nigeria and the resultant inter-agency rivalry, complicated by conflicting statutory laws/legal frameworks; arbitrary use of discretion in granting approvals; limited transparency; bureaucratization in procedures; and poor service orientation"* (NIPC, 2006). Since inception, OSIC has registered more than 2,500 companies.

While the ultimate goal is to get the agencies involved in the OSIC to work in harmony to reengineer and streamline their processes, procedures and requirements for granting business entry permits, licences and approvals, it was decided to adopt a "Coordinated One-Stop Approval Framework" for the One-Stop-Shop (OSS) of Nigeria. This model implies that the various agencies/authorities maintain their existing mandates and responsibilities within the structure of the OSIC. In this regard, the following agencies have opened desks in the centre:

Nigerian Investment Promotion Commission (NIPC); Corporate Affairs Commission (CAC); Central Bank of Nigeria (CBN); Ministry of Federal Capital Territory; Ministry of Solid Minerals Development; Federal Ministry of Finance; National Bureau of Statistics; Nigeria Immigration Service (NIS); Nigeria Customs Service (NCS); Federal Inland Revenue Service (FIRS); National Office for Technology Acquisition and Promotion (NOTAP); Standards Organization of Nigeria (SON); National Agency for Food and Drug Administration and Control (NAFDAC); Nigeria Maritime Administration and Safety Agency; Northern Nigeria Development Corporation; and O'dua Investment Corporation Limited. However, the power and authority delegated to the officers at OSIC vary according to the organization to which they belong, as do the required service standards of each organization. This makes it difficult for the centre to function as a genuine one-stop shop. To address this, NIPC is developing, with each body, a protocol of authority. This sets out the following:

a.   The mandate of the delegated officer from each organization who sits at OSIC;

b.   The required level of authority; and

c.   Measures to ensure that the officer is acting in compliance with the policy of the organization he represents.

In the interest of a fully operational centre whose officers are formally endowed with appropriate authority, this draft protocol has to be finalized with all participating organizations and put into action. This should be

accompanied by the dissemination of information on the benefits of OSIC. The protocol should envisage the possibility of NIPC establishing OSICs in other cities such as Lagos. OSIC has also envisaged an e-payment solution to facilitate payment of fees charged by the various agencies. To this end, all agencies involved need to conform to the agreed service standards as shall be enunciated in the forthcoming Client Charter. UNCTAD, invited to comment on the OSIC initiative on the occasion of the Presidential Retreat of 20 March 2006, recommended that the creation of the OSIC did not obviate the need to streamline business regulation, nor bring a better service culture within key regulatory agencies.

UNCTAD's recommendations, geared towards achieving a *"Team Nigeria"* approach, include:

(a) The NIPC should negotiate protocols of cooperation with the agencies participating in OSIC. These should spell out the extent of empowerment of OSIC-located officers, NIPC oversight arrangements, the quality and number of staff assigned and service delivery expectations;

(b) OSIC should function in large part as a *"virtual"* OSIC, taking advantage of the opportunities opened by internet technology. Online applications and inter-agency exchange would not only lead to faster information flow, better monitoring and accurate and timely reporting, but also extend the OSIC services to all areas of the country with Internet access. This has now been adopted as an official objective with proposed full implementation in three years.

(c) Use of OSIC services should not be mandatory. Investors should be able to apply directly to the regulatory agency if they choose. It is up to OSIC to perform. This is now official policy and the authorities are now determined to make OSIC an irresistible choice for investors. Wherever feasible, regulatory officers sitting in OSIC should be "empowered" to approvals as distinct from channelling applications back to their headquarters.

The objective of NEEDS mentioned above can be readily accomplished by restricting NIPC's role in the approval process to the registration of foreign investors only. Expatriate entry rights should be obtained directly by application to the Immigration authorities. NIPC can facilitate this by housing the Immigration representatives in its OSIC. In this regard, the NIPC should no longer purport to have a regulatory role, but an important outcome of this de-merger will be the right of all foreign investors to obtain guarantees of treatment and protection through registration with the NIPC. Another practical implication is that the *registration,* not a *licence*. The launch

of the OSIC in March 2006 to facilitate business establishment is an important initiative. To fully meet its objectives, the OSIC will require strong support and mentoring from parent agencies and from NIPC's management if it is to be useful and credible to investors. The quality of seconded staff is equally vital. This applies to both the NIPC and the regulatory agencies represented in the OSIC.

In theory, the OSIC is to enhance the ease of doing business in Nigeria but in practice has failed, more often than not, to add any value to the investment-chain. Over the years however, the OSIC has relapsed into the typical public service bureaucracy and inefficiency. Ostensibly, in order to achieve the objective of setting up the OSIC, each of the government agencies relevant to doing business in Nigeria maintains a desk at the centre; such as the CAC, NIPC, NOTAP, CBN, FIRS, NIS, NCS, and NAFDAC etc. Therefore, a foreign company seeking to operate in Nigeria, for example, should ordinarily visit the OSIC to incorporate a Nigerian associate company at the CAC desk; register the Nigerian company with the NIPC; and obtain the statutory and immigration documents such as business permit, residence permits and expatriate quota at the Ministry of Interior (NIS desk). But poor service delivery and lack of proper coordination among the agencies render the OSIC inefficient. So, while investors who visit the OSIC should ordinarily take the advantage of localisation of services, they are still forced to visit the agencies separately after leaving the NIPC-OSIC.

In other to salvage the OSIC initiative from becoming a disincentive to investments, the various regulatory agencies operating from the centre must invest more time and effort in training their personnel, automate and upgrade their services to provide online-real-time access, prioritize the applications filed at their OSIC desks slightly over the ones at their regular offices, and embark on appropriate synergy among their various operating systems. Furthermore, all sector-specific regulators that have the duty of licensing registered business entities before they can commence operations in the specific sectors in Nigeria should be directed by their supervising ministries or authorities to maintain offices/desks at the OSIC; if they do not operate one currently.

2.2. Theoretical Framework

There are series of theories relevant in discussing issues of FDI. Since the study can't exhaust the cream of theoretical expositions on the subject matter, some selected theories are reviewed as they relate to this study. Those reviewed include the product cycle hypothesis (PCH), the interventionist approach, the two gap theory, and the Dunning's Eclectic

theory. The product cycle hypothesis (PCH), Vernon (1966) maintains that a firm transmutes to a multinational corporation (MNC) once it reaches a certain stage in its growth process. Initially, the firm grows by expansion of its exports in overseas market and by exploiting differences in technological capability among nations and industries. Because of the persistence of international demonstration effects of rich countries, new markets develop and expand. The theory suggests that once the firm standardizes its production process, it seeks for lower production cost and new markets overseas. This it does by allocating component production and assembly to different plants across several countries.

This interventionist approach was propounded by Trnik (2007) with rooting from the neoclassical theory. The classicals view on investment promotion is built on the premise that if the host country secures a good investment climate, investors will automatically seeks out the most favourable investment opportunities. The interventionist view on investment promotion suggests that this is often not enough because of the existing market failure due to information gaps. Furthermore, within the second approach at least two contending views can be identified. The interventionist approach is built on the assumption that investment promotion agency of a country demonstrates positive results in terms of attracting foreign investors. This assumption was validated by the research of this nature which tries to study the role of NIPC in attracting foreign investment.

Mckinnon (1964) develops the two gap theory which provides a scholarly justification for the existence of FDI. The theory postulates that given the relevance of financial capital in economic development, capital constrains may hinder developing countries from executing their development programmes. The theory identifies two gaps which include the savings and foreign exchange gap. These gaps exist because of a recurring cycle of low income and therefore low savings, which in turn leads to low investment, leading again to low productivity growth and income. Again, because of the crippling effect of high debt burden on developing countries, and their dependence on primary exports characterized by price fluctuations, a foreign exchange gap ensues which results because of their inability to have enough foreign exchange to pay for its imports. Thus, FDI is needed to narrow these gaps.

It is however the Dunning (1993) eclectic theory (DEC) that comprehensively captures the justification for the existence of FDI. The DEC is an attempt to integrate the various theories seeking to explain the determinants of FDI. Also referred to as the ownership, locational and

internalisation (OLI) paradigm, the theory posits that for a country to be a source or host of FDI, three conditions must exist concurrently, namely, Ownership advantages, Locational advantages and Internalisation gains. The paradigm asserts that at any point in time investment is determined by three forces, which are the OLI factors. The so – called OLI factors are three (3) categories of advantages namely Ownership advantage, Location advantage and internalization advantage. The Ownership 'O' talked about some competitive advantages that are unique to the country or firm and transferable to other countries or firms. The ownership advantage is usually intangible and can be transferred within the multinational enterprise at low cost, for example, technology, brand name, benefits of economies of scale.

The Location 'L' advantage are foreign advantages which firms use in connection with its local Firm Specific Advantage (FSA) in order to earn full rents on these FSAs. Thus we can say that the location advantages of different countries are keys in determining which will become host countries for MNEs. The Location advantage can be due to economic differences among countries with varying forms. For example, the proximity to raw materials and other important inputs, the quantities and qualities of the factor of production, scope and size of market, transportation and communication costs. Internalization 'I' advantages are advantages by own production rather than producing them through a partnership arrangement, for example licensing or joint ventures. Firm may organize the creation and exploitation of their core competencies. The greater the net benefit of internalizing cross border intermediate product market, the more likely a firm will prefer to engage in foreign production itself rather than license the right to do so. It is important to observe that despite that many researchers have explained the phenomenon, its component and effects; we cannot say that there is a generally accepted theory but everyone agrees on one point that in a world featured by perfect competition FDI cannot longer exist.

2.3. Selected Recent Empirical Review

Adenyuma & Oga (2019) examines the statutory framework for FDI into Nigeria and saw negative and uncompetitive investment legislations. The paper was legal in nature with statute and case law as the strength of FDI mobilization in Nigeria hence is different from empirical work intended by this study. The work of Babatunde, Oyeniran, David & Ibrahim (2018) investigated the impact of Nigerian Investment Promotion Commission (NIPC) in attracting Foreign Direct Investment (FDI) to the country using a dynamic error correction mechanism models and co-integration approach

and obtained that the influence of the commission in attracting FDI to the country has not been significant over the period of study. Taiwo, Achugamonu, Okoye & Agwu (2017) carried out a comparative analysis of 87 developing countries across the globe using the IAB indicators. The major conclusion drawn from the survey was that Nigeria as a country was yet to maximize its potentials at attracting foreign investment.

Mukhtar (2017) investigated the factors influencing the performance of Foreign Direct Investment inflow to Nigeria. Using a Correlational analysis, the findings suggest the need to stem the problem of capital flight in the country, and liberalization of the oil sector in Nigeria; which will lead to increased private participation, higher employment with possible multiplier effects on the economy as a whole. Also, the work of Effiom & Ebi (2016) on foreign direct investment in Cross River State (CRS) using both qualitative and descriptive show that though CRS has established the Cross River State Investment Promotion Bureau, the State does not typically appear on the long-list of location alternatives for active consideration by investors, let alone it being a preferred location in Nigeria. Ugochukwu, Okoye & Ebekozien (2015) examined the challenges facing the inflow of foreign direct investment (FDI) in Nigerian construction sector using 194 construction professionals, contractors and public clients knowledgeable and experienced in FDI and FDI related projects located in Lagos and Abuja, Nigeria. The result revealed significant agreement amongst stakeholders on the ranking of the causal factors to low FDI, hindrances to FDI and the effects of low FDI. No study has assessed OSIC since inception the vacuum this research intends to fill.

3.1. Methodology

The study employed the ex post facto research design. This is the type of research involving events that have already taken place. It relied essentially on secondary data generated mainly from the (NIPC) Databank, CBN and NBS publications. The vector error correction mechanism (VECM) regression would be used. The VECM was preceded by the unit root test to examine stationarity levels and Johansen cointegration test for short and long run dynamics as a requirement for annual time series data. To examine the causal links between FDI and economic growth variable in Nigeria, the Pairwise Granger Causality tests was applied. Other residual and diagnostic tests were also carried out such as the serial independence test for autocorrelation, normality test, functional mispecifiation, cross sectional dependence and the Durbin-Watson test to further examine robustness of the model.

3.2. Specification of the Model

The determinants of Foreign Domestic Investment (FDI) can be derived from the Dunning's theory of foreign direct investment. In functional term therefore, we have:

$$FDI = f\ (OLI\ advantages) \tag{3.1}$$

These are the advantages created by the establishment of OSIC in Nigeria. Since this determinants of the inflow of investment in the host country, the OLI advantages are the Ownership 'O' advantage, Location 'L' advantage and the Internalization 'I' advantage, the location advantages include the market size proxied by the real gross domestic product, the economic and political features of the country involved such as the exchange rate, inflation rate, debt profile, the openness of the economy to international trade and socio-economic condition. Therefore equation (3.1) can be rewritten thus:

$$FDI = f\ (GDP,\ EXR,\ INF,\ OPN,\ DEBT) \tag{3.2}$$

Subsequent models are with additional variable of government representing the role of government in infrastructural development, natural resources development, corruption, internal conflict, law and order as the major factors attracting FDI. The role of OSIC is captured as a dummy variable and it takes the value zero (0) in the period of 1995 to 2006 and value of one (1) in the years after 2006 when OSIC was established. The explicit model is further stated as:

$$FDI = a_0 + a_1Đ + b_1GDP + b_2EXR + b_3INF + b_4OPN + b_5DEBT + b_6GOV + \mu \tag{3.3}$$

Where a_o = Intercept, $b_{1\_}b_6$ = Parameter coefficients to be estimated, FDI = Foreign Direct Investment, $a_1Đ$ = dummy variable that capture the effects of introducing OSIC, GDP = Gross Domestic Product, EXR = Official Exchange Rate, INF = Measure of Inflation Rate, OPN = Degree of Openness of the economy, DEBT = Volume of Government Debt, GOV = Role of government in attracting FDI as a measure of capital expenditure and μ = Stochastic element to capture the unexplained variations in the model. On *a priori* expectation, the expected signs are: $a_1Đ > 0$ that is OSIC has positive impact on FDI; b1> 0 that is GDP positively affect FDI; $b_2 < 0$ i.e., the effect of EXR on FDI cannot be determined on *a priori* because it can have effect negatively or positively; b3 < 0 INF affect FDI negatively; b4 > 0, that is, OPEN has positive impact on FDI; bÂ 50, that is, DEBT has negative effect on FDI and finally b_6 >0,GOV that is government expenditure attract FDI into a country.

To detect the number of co-integrating vectors, r, which is an indicator of the extent of integration among the variables, two types of tests, the

trace statistic and the maximum eigen-value statistic, will be used. The Error-Correction Model (ECM) derived from the co-integrating equations by including the lagged error-correction term reintroduced in a statistically acceptable way, the long-run information lost through differencing. The error-correction term stand for the short-run adjustment to long-run equilibrium trends. It is therefore derived from equation (3.3) and specified below:

$$\Delta FDI = a_0 \sum_{i=1}^{p} \Delta a D_{1i} + \sum_{t-1}^{p} a_{2i} \Delta GDP_{t-1} + \sum_{i=1}^{p} a_{3i} \Delta EXR_{t-1} + \sum_{t-1}^{p} a_{4i} \Delta INF_{t-1}$$
$$+ \sum_{t-1}^{p} a_{5i} \Delta OPN_{t-1} + \sum_{t-1}^{p} a_{6i} \Delta DEBT_{t-1} + \sum_{t-1}^{p} a_{7i} \Delta GOV_{t-1} \lambda ECM + \mu \qquad (3.4)$$

All the variables are as already defined above except the introduction of ECM and the transformation from OLS to ECM captured by the triangle.

4.1. Descriptive Statistics

Table 4.1: Descriptive Statistics

	FDI	D1	GDP	EXR	INF	OPN	DEBT	GOVT
Mean	11.31	0.538	14.64	176.9	16.42	2.835	12.65	8.419
Median	12.25	1.000	13.28	141.0	12.95	2.932	13.25	4.282
Maximum	16.11	1.000	20.16	400.0	72.90	3.820	15.40	40.70
Minimum	0.210	0.000	12.54	21.80	5.400	1.631	7.754	-7.871
Std. Dev.	4.852	0.508	2.972	117.3	12.89	0.718	2.157	13.28
Skewness	-1.509	-0.154	1.247	0.834	3.384	-0.198	-0.659	1.178
Kurtosis	4.013	1.023	2.614	2.452	15.41	1.655	2.482	3.473
Jarque-Bera	10.98	4.333	6.905	3.342	216.5	2.128	2.172	6.256
Probability	0.004	0.014	0.031	0.087	0.000	0.3044	0.037	0.043
Sum	294.2	14.00	380.7	4599.	427.1	73.73	328.9	218.9
Sum Sq. Dev.	588.5	6.461	220.8	344.2	415.8	12.84	116.3	4413.4
Observations	26	26	26	26	26	26	26	26

Source: Output from Eviews 10.0, 2021

Looking at the results of the descriptive statistics as displayed in Table 4.1 above, there is a positive relationship between the mean and median. That is the mean-median ration is close to unit proximity. This indicates that the two are clustered within an area to determinate the shape of a standard normal curve. The range is positive for all the data set with a

relatively low standard deviation even as the data comes from a small sample of less than 30 years observations. Skewness shows four of the series-GDP, EXR, INF and GOVT to be positive. However, FDI, D1, OPN and DEBT all had negative skewness. The result simply summarizes a mixed skewness for the distribution.

Kurtosis shows only of the series that is GOVT to satisfy its condition of the expected value of 3. Two of the series-FDI and INF shows a flat distribution with values more than 3. On the other hand, D1, GDP, EXR, OPN and DEBT all show a peaky distribution with a value less than 3. The Jarque-Bera test for normality which seeks to harmonize the difference between skewness and kurtosis shows all the series to be normally distributed. This decision is taken based on the significant probability values which are statistically significant at 1% level of confidence. We thus reject the H_0 that the series are not multivariate normal.

4.2. Unit Root Test Analysis

Table 4.2: ADF Unit Root Result

Variable	ADF t-statistics	5% critical values	P-value	Order of Integration
At Level				Decision
FDI	-0.556612	-3.020686	0.8597	*Non-stationary*
D1	-1.042724	-2.986225	0.7215	*Non-stationary*
GDP	-0.282031	-2.986225	0.9145	*Non-stationary*
EXR	-0.724436	-2.986225	0.8227	*Non-Stationary*
INF	-9.569556	-2.986225	0.0000	*Stationary*
OPN	-1.550229	-2.986225	0.4923	*Non-Stationary*
DEBT	-2.961718	-2.986225	0.0526	*Stationary*
GOVT	-1.882644	-2.998064	0.3340	*Non-Stationary*
1st Diff				Decision
DFDI	-7.191469	-3.020686	0.0000	*Stationary*
DD1	-4.898979	-2.991878	0.0007	*Stationary*
DGDP	-4.843077	-2.991878	0.0008	*Stationary*
DEXR	-5.682924	-2.991878	0.0001	*Stationary*
DINF	-4.233706	-3.004861	0.0036	*Stationary*
DOPN	-4.332733	-2.991878	0.0025	*Stationary*
DDEBT	-2.095177	-2.991878	0.0481	*Stationary*
DGOVT	-9.782374	-2.998064	0.0000	*Stationary*

Source: Author's Computation from Eviews 10.0, 2021

The result of the ADF stationarity test indicates that only INF and DEBT were stationary at levels. That is FDI, D1, GDP, EXR, OPN and GOVT were not stationary at levels. Therefore, the null hypothesis of non stationarity

of these variables in the model is rejected at 1% and 5% of significance. But all the variables became stationary at level as their ADF t-statistics values in absolute term is greater than their critical values at both 1% and 5% significance level respectively. Stationarity of the variables in the model having been established, we shall conduct the Johansen co-integration test to establish if the variables of interest possess long-run equilibrium walk/ relationship.

4.3. Co-integration Analysis

Table 4.3: Johasen Co-integration Test

Series: D1 GDP EXR INF OPN DEBT GOVT

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.924986	160.1556	95.75366	0.0000
At most 1 *	0.825536	97.99369	69.81889	0.0001
At most 2 *	0.721047	56.08876	47.85613	0.0070
At most 3	0.492981	25.44767	29.79707	0.1461
At most 4	0.215980	9.146701	15.49471	0.3520
At most 5	0.128720	3.307005	3.841466	0.0690

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.924986	62.16186	40.07757	0.0000
At most 1 *	0.825536	41.90494	33.87687	0.0045
At most 2 *	0.721047	30.64109	27.58434	0.0196
At most 3	0.492981	16.30097	21.13162	0.2078
At most 4	0.215980	5.839695	14.26460	0.6339
At most 5	0.128720	3.307005	3.841466	0.0690

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level
Source: Author's Computation from Eviews 10.0, 2021

In Table 4.3 above, the result of the trace statistics and maximum Eigen value statistics reveal the rejection of the first and second null hypotheses at 5% level of significance based on our decision rule. The result shows that there are at least three cointegrating equations or vectors and among the variables of interest and this is further reinforced by the result from the maximum eigen value statistic which indicates the presence of three cointegrating vector, meaning that there is a long run relationship between FDI and other variables determining it at least within the period of study.

4.4. Vector Error Correction Analysis

The VECM result represents the main result upon which the relationship between one stop shop and FDI inflow into Nigeria is anchored. The essence is to investigate the impact of OSIC in facilitating the inflow of FDI in Nigeria within the period of analysis. Detailed results are displayed in Table 4.4 below:

Table 4.4: VECM Result

Model Variables	Coefficients	Standard Errors	Probabilities
FDI	0.638445	(0.18774)	[3.40077]
C	40384.10	(17935.9)	[2.25158]
D1	2.188131	(15.822.2)	[0.01413]
GDP	0.049614	(0.13068)	[0.07965]
EXR	-0.000124	(7.0E-05)	[-1.78656]
INF	-0.000448	(0.00065)	[-0.69087]
OPN	-865.5685	(527.775)	[-1.64003]
DEBT	-3547.983	(1620.56)	[-2.18936]
GOVT	2.010556	(0.63368)	[0.07283]

R-Squared = 0.758070, Adjusted R-Squared = 0.702241
Source: Author's Computation from Eviews 10.0, 2021

The analysis of Table 4.4 above shows that there is positive relationship between D1 representing the impact of OSIC in facilitating FDI and FDI inflow into Nigeria within the period of study. Technically, it entails that any efficient and effective operations of OSIC would result to 2.2% increase in the inflow of FDI in Nigeria. This result does not only confirm our *a priori* expectation of a positive sign between the variables but is also statistically significant at 1% level. It also corroborates with the earlier findings of Babatunde, Oyeniran, David & Ibrahim (2018) that the effort of NIPC in attracting FDI to the country has been significant over the period of study despite the perceived bottle necks. Furthermore, the result shows a positive impact between both the GDP and GOVT representing gross domestic product and government expenditure and FDI inflow into the country. Improvement in GDP and GOVT has smothering effect as well as builds the necessary confidence for investors to improve or increase their investment in the country. The parameter coefficients confirm with *a priori* expectation and are also statistically significant.

However, there is a negative relationship between EXR, INF, OPN and DEBT representing exchange rate, inflation, degree of economic openness and debt servicing in Nigeria. The escalating effect of EXR and INF has negatively affected not just the demand and consumption of goods and

services in Nigeria but has also distorted the volume of FDI within and between Nigeria and other economies. This finding is consistent with the results of Obi (2017) and Effiom & Edet (2019) about distorted FDI within Nigeria and between Nigeria and other countries. OPN and DEBT has been found to be negatively related to FDI within the period of the study. Debt servicing represents a significant reduction in the annual budget of Nigeria. it has therefore resulted into misallocation or diversion of financial resources meant for development. Again, despite the overwhelming agitations about trade openness, the Nigerian economy has shown lack of competitiveness with other economies hence the resultant impact on the economy has been negative. The negative relationship shown has further collaborated the earlier findings of Tyopev (2019) and Adenyuma & Oga (2019) that the overdependence of the Nigerian economy on imported goods has deprived the economy of the benefits of globalization.

GOVT representing government expenditure in the model has shown a positive and statistically significant relationship with FDI in Nigeria. GOVT creates smothering effect via infrastructural upgrade, security of lives and property, employment creation and product provision thereby, providing the necessary incentives and atmosphere for mobilization of revenue. This result and analysis rhymes with an earlier work of Babatunde, Oyeniran, David & Ibrahim (2018) and the electric theory that ease of doing business alongside the role of government are major determinants of FDI in Nigeria. The Coefficient of Determination R^2 of 75% shows the model to be robust. Precisely, 75% of changes in the dependent variable are captured as well as explained by the explanatory variables while the remaining percentage represents the stochastic element containing the numerous factors affecting FDI but not explicitly captured in the model. Again, the Adjusted R^2 of 70% shows the model to be robust and has a good fit.

There are several residual tests that follow secondary data analysis such as normality, serial correlation, heteroscedasticity, and stability teat. They are capable of verifying the ADF, Co-integration and VECM earlier presented above. The residuals are presented below:

**Table 4.5: Serial Correlation and Heteroscedasticity**

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	4.362622	Prob. F(2,17)	0.0296
Obs*R-squared	8.818433	Prob. Chi-Square(2)	0.0122
Heteroskedasticity Test: Breusch-Pagan-Godfrey			

F-statistic	3.788781	Prob. F(6,19)	0.0119
Obs*R-squared	14.16276	Prob. Chi-Square(6)	0.0279
Scaled explained SS	14.08563	Prob. Chi-Square(6)	0.0287

Source: Author's Computation from Eviews 10.0, 2021

The Breusch-Godfrey serial correlation Langrange Multiplier (LM) contained in Table 4.5 above is used to evaluate the assumptions popularized by Gauss-Markov known as Best Linear Unbiased Estimator (BLUE). The null hypothesis of the test is that there is no serial autocorrelation in the residuals up to the specified lag order. The BG-LM serial correlation test reported F-statistic value of 4.362622 with a significant probability of 0.0296. We therefore reject the in-built null hypothesis, implying that the model is free from serial correlation. On the other hand, the Breusch-Pagan-Godfrey test as a chi-squared test which depends on an appropriate threshold for heteroscedasticity to occur has been applied. The test reported an F-statistic value of 03.788781 and statistically significant probability value of 0.0119. We therefore reject the in-built null hypothesis which implies variances of the model are homoscedastic (constant).

Figure 4.1: CUSUM Stability Test
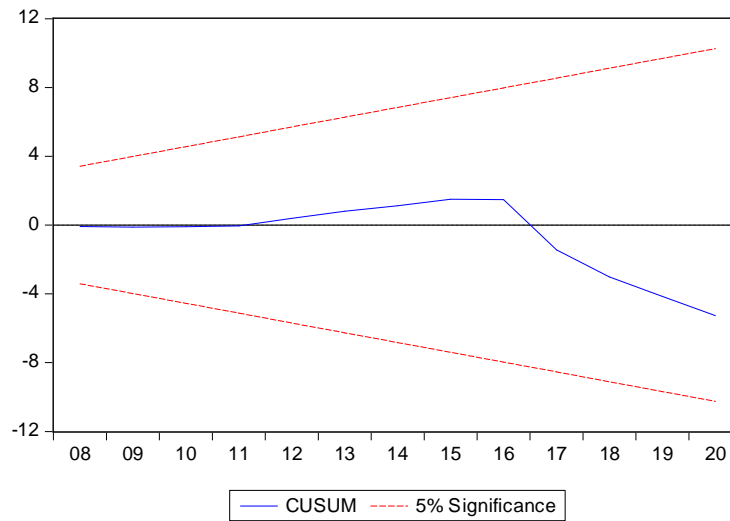
Source: Author's Computation from Eviews 10.0, 2021

Fig 4.1 above contains the stability test – the Cumulative Sum of Recursive Residuals (CUSUM) is particularly good at detecting systematic departure of the β_i coefficients that results in a systematic sign on the first

step ahead forecast error. Under the null hypothesis of perfect parameter stability, the CUSUM statistics are zeros. Given that the expected value of a disturbance is always zero, a set ± 2 standard error bands is usually plotted around zero and any statistic lying outside the band is taken as evidence of parameter instability.

5.   CONCLUSION

It can be concluded on the basis of this finding that OSIC has positively facilitated the inflow of FDI into Nigeria within the period of study. The impact is quite significant despite the numerous challenges which includes; poor power supply, poor transportation network for easy accessible, increasing insecurity, corruption, multiple tax regimes across Nigeria, harsh economic policies of government, poor synergy with government institutions involved in revenue mobilization for the government and the recent economic recession occasioned the COVID-19 pandemic and the attendant lockdown of the national economy. There is therefore the urgent need to make some police recommendations so as to boost the activities of OSIC in facilitating smooth and qualitative FDI inflow into Nigeria.

5.1. Recommendations

(i)   Government should strengthen and expand the capacity of this enviable institution via expansion in budgetary provision and employment of additional hands so as to improve on the little progress made so far in facilitating the inflow of FDI in Nigeria.

(ii)   Government as a matter of priority tackle once and for all the lingering security challenges prevalent in Nigeria be it Bok Haram, bandits, insurgents, etc. Security of lives and property remains critical to the continued inflow of FDI into Nigeria.

(iii) There is also the need to review the Nigerian tax regime so as lessen the tax burden on tax payers. There are multiple taxes in Nigeria on roads, in markets, and even in offices. This has to be reviewed in favour of economic activities that are capable of encouraging the inflow of FDI.

(vi)   The various regulatory agencies operating with OSIC must invest more time and effort in training their personnel, automate and upgrade their services to provide online-real-time access, prioritize the applications filed at their OSIC desks slightly over the ones at their regular offices, and embark on appropriate synergy among their various operating systems.

(v)   Government should therefore invest more in infrastructure like power, communication, transportation and energy and ensure the availability

of other needed facilities that can attract and boost the productive capacity of direct foreign investors, so that more investors can come into the country since effective productivity of present direct investors will attract more foreign investors.

(vi) Furthermore, all sector-specific regulators that have the duty of licensing registered business entities before they can commence operations in the specific sectors in Nigeria should be directed by their supervising ministries or authorities to maintain offices/desks at the OSIC; if they do not operate one currently.

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