

FINANCIAL MARKET DYNAMICS AND NIGERIAN ECONOMIC GROWTH

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Abstract

The study investigated the impacts of Foreign Direct Investment (FDI), Real Interest Rates, and Private Sector Credit on the economic growth of Nigeria from 1960 to 2022. The study highlights the need for policies that sustain FDI inflows, balance interest rate impacts and improve financial intermediation. Using annual time series data, an OLS regression model is estimated with GDP growth rate as the dependent variable. The empirical analysis indicates that FDI has a statistically significant positive association with GDP growth, suggesting it plays a key role in boosting Nigeria's economic output. Real interest rates have a modest positive effect on GDP growth, though higher rates could potentially deter investment and borrowing. However, no significant relationship is found between private sector credit and economic growth. The subgroups and predicted means analysis provides further insights into structural shifts and trends in the variables over time. The results showed and emphasized the complex, evolving interlinkages between these financial and monetary factors in influencing Nigeria's growth path. It recommends avenues for future research to deepen understanding of these relationships using more advanced techniques. The study's findings have important implications for policymakers in crafting strategies to foster strong, inclusive growth.

Keywords: Foreign Direct Investment (FDI), Real Interest Rates, Private Sector Credit, GDP Growth Rate, OLS Regression Model, Nigeria's Economic Growth.

Introduction

Nigeria is Africa's second-largest economy with a population exceeding 211 million and stands at a critical juncture in its economic trajectory (World Bank, 2023). The nation's potential for growth is juxtaposed with formidable challenges that impede its journey towards sustainable development (African Development Bank Group, 2023; Heritage Foundation, 2023; USAID, 2023). The country's heavy reliance on oil revenue has historically played a pivotal role in its economic growth. However, this dependence has left Nigeria susceptible to the unpredictable fluctuations of global oil prices, presenting a significant vulnerability to the economy (World Bank, 2023; IMF, 2023). This overreliance on oil poses a central dilemma - Nigeria's struggle to diversify its income streams away from oil. Infrastructure deficiencies, bureaucratic inefficiencies, and insufficient investment in alternative sectors have perpetuated this cycle, impeding the growth of non-oil industries and the nation's overall economic resilience (Heritage Foundation, 2023; IMF, 2023; World Bank, 2023).

Gross Domestic Product (GDP) growth stands as a pivotal metric for Nigeria's economic stability and progress (Blanchard & Gali, 2010). However, achieving sustained GDP growth amid challenges posed by economic diversification remains a critical concern. The urgency to transition from oil dependence

to a more diversified economic framework has become increasingly apparent (Krugman & Obstfeld, 2019; Stiglitz, 2016).

In addressing infrastructural deficits and fostering diversified growth in sectors beyond oil, Nigeria aims to achieve sustainable economic development. However, navigating these complex economic dynamics requires a comprehensive understanding of the intricate influences of factors such as Foreign Direct Investment, Real Interest Rates, and Monetary Sector Credit (Blanchard & Gali, 2010; Krugman&Obstfeld, 2019; Stiglitz, 2016; World Bank, 2023).

This study aims to dissect and illuminate the complex relationship between Foreign Direct Investment, Real Interest Rates, and Monetary Sector Credit on Nigeria's GDP growth. By unravelling these economic drivers, the research endeavours to provide invaluable insights essential for policymakers and stakeholders in formulating strategies for Nigeria's journey towards sustainable economic development.

Literature Review

Historical Perspective: Nigeria's Economic Development

Nigeria, recognized as the largest economy in Africa with a GDP surpassing USD 500 billion, sustained a commendable growth rate, exceeding 7 percent per annum from 2005 to 2014 and decelerated notably in 2015 due to national policies and global inflation around that period. The impetus behind this growth stemmed primarily from the non-oil sectors, particularly financial services, telecommunications, and entertainment (Ministry of Foreign Affairs, 2023). Foreign Direct Investment (FDI) inflows have been robust, averaging USD 2 billion per quarter since 2013, with a significant majority, over 70 percent, directed into non-oil sectors. Although Nigeria's economy appears more diversified, with the Oil sector contributing only about 14 percent to GDP, the nation possesses substantial natural and human resources that demand further diversification efforts (Ministry of Foreign Affairs, 2023). Since the discovery of oil in 1956, and especially since the early 1970s when oil prices surged, the substantial contribution of oil receipts to Nigeria's revenue has posed governance challenges. The imperative for deeper economic diversification becomes evident to initiate structural transformation, insulate the domestic economy from external shocks, and propel growth accompanied by job creation (Ministry of Foreign Affairs, 2023).

Nigerian economic development has oscillated between periods of strong statism and intermittent doses of liberalism. Following the attainment of self-government in the early 1950s, regional and central governments-initiated development plans aimed at transforming the economy. However, empowerment of indigenous private sector businessmen was limited, and the governments predominantly established parastatals akin to the Western Nigeria Development Corporation, contrasting the private Chaebols in South Korea (Jaiyesimi, 2021). The government's inclination towards a mixed economy exhibited socialist undertones that persisted over the years. The advent of oil wealth led to the establishment of mega parastatals, particularly those orchestrated by the Federal

Government. The Nigerian National Petroleum Corporation (NNPC), during the 1980s, gained global recognition as a colossal entity. Despite these endeavours, the crash in oil prices in 1982 shattered the lofty ambitions built around the oil-dependent economy (Jaiyesimi, 2021).

The subsequent change in government in 1984 intensified statism, introducing price controls and centralized distribution of essential commodities. However, it was not until the introduction of the Structural Adjustment Program in 1986, following another government transition, that a shift away from statism occurred. This marked a pivotal moment representing a turn away from the socialist inclinations since Nigerian Independence in 1960. The Structural Adjustment Program discarded price controls, centralized distribution of essential commodities, and fiat exchange rate fixing, and commenced the privatization program, while also broadening the financial sector (Jaiyesimi, 2021).

Within a short span following the inception of the Structural Adjustment Program, the Nigerian economy witnessed a resurgence. Although industries heavily reliant on imports faltered, they were supplanted by industries sourcing raw materials locally. Professor Charles Soludo, a former governor of the central bank, affirmed that the resilience evident in the Nigerian economy, preventing a fate similar to Venezuela, was established during the SAP years (Jaiyesimi, 2021). Real GDP growth in Nigeria fell to 3.3% in 2022 from 3.6% in 2021, primarily due to a decline in oil production. This resulted in a 5% contraction in the overall industry, offset by expansions in services (7%) and agriculture (2%). On the demand side, the decline in GDP growth stemmed from contractions in public consumption (2.5%) and net exports (80%). Moreover, the growth in income per capita dwindled to 0.8% from 1.2% in 2021. The fiscal deficit, narrowing to 4.9% of GDP in 2022 from 5.2% in 2021, was covered by borrowing, elevating public debt to \$103.1 billion, approximately 22% of GDP, from \$92.6 billion in 2021 (AfDB, 2023).

Inflation surged to a two-decade high of 18.8%, spurred by increases in energy and food prices alongside the repercussions of exchange rate depreciation. To counter rising inflation, the Central Bank of Nigeria incrementally raised the policy rate, peaking at 16.5% in November 2022 from 11.5% at the beginning of the year. The improvement in oil exports buoyed the current account, recording a marginal surplus of 0.1% of GDP in 2022, reversing three years of deficit. However, the gross international reserves dwindled by 7.5% to \$37.1 billion, covering 5.7 months of import costs. Despite the nonperforming loans ratio standing at 4.2% in 2022, below the regulatory threshold of 5%, and the capital adequacy ratio exceeding the regulatory benchmark at 13.8% in the same year, challenges persisted with a high multidimensional poverty rate of 63% and unemployment at 33.3% (AfDB, 2023).

Review of Empirical Studies on GDP Growth and its Influential Factors

A plethora of studies conducted on GDP are reviewed with major emphasis on their findings. Zieba and Mbugua (2022) utilized a fixed-effect model employing a panel dataset encompassing 62 developing countries from 2010 to 2018. Their study revealed that government spending and natural

resource rents positively impact per capita GDP growth. Conversely, rising labor force participation and inflation were found to impede economic growth in these countries.

Todorović and Kalinović (2023) conducted an analysis assessing the influence intensity of foreign direct investments (FDI), exports of goods and services, and research and development expenditure on GDP growth in both developed and developing nations. Their panel regression analysis identified that exports of goods and services significantly contribute to growth in countries with middle-income levels, surpassing the contribution made in high GDP countries by two-fold. Additionally, they highlighted the critical impact of research and development expenditure in high GDP countries, which was 3.5 times larger compared to its impact on developing Balkan countries. FDI was deemed statistically insignificant for observed countries' GDP growth, yet showcased more promising results in countries with lower development levels.

Olasehinde and Ajayi (2022) explored the relationship between FDI and economic growth in Nigeria from 1981 to 2020, employing the Autoregressive Distributed Lag Bound technique (ARDL). Their findings revealed a significant long-run relationship among the variables studied. FDI and real exchange rates exhibited positive and significant short- and long-run impacts on economic growth, aligning with prior studies by Abu (2013) and John (2016). In contrast, interest rates and trade openness displayed insignificant short- and long-run impacts on economic growth. Moreover, their study highlighted bidirectional causality between FDI and economic growth.

Amadi (2019) investigated the relationship between FDI, financial development, and economic growth in Nigeria from 1970 to 2014, using a combination of methodologies including cointegration, Granger causality, and OLS techniques. The findings indicated no long-run relationship between economic growth and FDI. However, a bi-directional short-run dynamic relationship was observed. Furthermore, the study highlighted the role of stock market development variables in shaping the relationship between FDI and growth in Nigeria.

Usman (2022) employed the Vector Autoregressive (VAR) approach to examine the impact of exchange rates and inflation on Nigeria's growth performance from 1986 to 2021. Their results indicated that real exchange rates, interest rates, and inflation rates positively impact Nigeria's real gross domestic product (RGDP) variation in both the short- and long-run.

Ajayi et al. (2017) investigated the impact of interest rates on economic growth in Nigeria using an Error-Correction Mechanism (ECM). Their findings suggested a causal relationship between savings deposits and GDP, advocating for policies aimed at increasing saving accumulation and capital formation in Nigeria.

Nzeh et al. (2022) studied the response of private and public sector credit to shocks in monetary policy instruments in Nigeria using the vector autoregressive (VAR) model. Their findings revealed varying responses of credit to different monetary policy shocks, highlighting the complex relationship

between monetary policy instruments and sectoral credit. Similarly, Sithole et al. (2021) examined the relationship between monetary policy and private sector credit in the Southern African Development Community (SADC) countries using a panel autoregressive distributed lag (ARDL) technique. The study found a positive and statistically significant long-run impact of credit to the private sector and GDP on money supply.

Theoretical Frameworks and Models used in Analysing FDI, Real Interest Rates, and Monetary Sector Credit on GDP Growth

Understanding the intricate connections between Foreign Direct Investment (FDI), Real Interest Rates, Monetary Sector Credit, and Gross Domestic Product (GDP) growth demands the utilization of various theoretical frameworks and models to elucidate their interrelated dynamics. Two established theories and models play a significant role in examining these economic factors and their influence on GDP growth. They are:

1. **Neoclassical Growth Model and Endogenous Growth Theory:** The Neoclassical Growth Model highlights FDI's contribution to capital accumulation and technological progress (Barro, 1997). Conversely, the Endogenous Growth Theory emphasizes FDI's role in fostering innovation and human capital development (Romer, 1986).

2. **Credit Channel Theory and Monetary Transmission Mechanism:** The Credit Channel Theory delineates the role of bank lending in transmitting monetary policy effects to the real economy (Bernanke & Gertler, 1995). Simultaneously, the Monetary Transmission Mechanism explores how changes in money supply and credit availability affect economic variables and subsequently influence GDP growth (Mishkin, 2001).

The strongest theoretical foundation for this study would be the combination of the Monetary Transmission Mechanism and Endogenous Growth Theory, since it focuses on FDI, real interest rates, and monetary sector credit as independent variables. How FDI may foster innovation, human capital, and long-term economic growth is highlighted by the Endogenous Growth Theory. The relationship between changes in real interest rates and credit availability and changes in investment, consumption, and GDP growth is explained by the Monetary Transmission Mechanism. When combined, these theories accurately describe how FDI and monetary factors affect GDP growth.

Methodology

Data Collection and Sources

The data presented in this study encapsulates a comprehensive analysis covering the period from 1960 to 2022, sourced primarily from the World Report Country Data of 2023. This robust dataset forms the backbone of the empirical analysis conducted within this research, offering a comprehensive perspective on the economic dynamics of the specified period in Nigeria.

The World Report Country Data 2023 stands as a reputable and authoritative source, widely acknowledged for its meticulous compilation of socioeconomic indicators and statistical information from diverse sectors within Nigeria. The dataset encompasses a wide array of economic metrics, including but not limited to Gross Domestic Product (GDP) growth rates, Foreign Direct Investment (FDI), Real Interest Rates, and Monetary Sector Credit.

Measurement of Variables

Table 1: Description of Variables and Measurements

Variable	Measurement	Description
Annual FDI Stock	Total FDI stock in the country at the end of Year T	Represents the cumulative amount of Foreign Direct Investment (FDI) present in the country by the conclusion of each year
Annual GDP Growth Rate (%)	$(GDP_t - GDP_{t-1}) / GDP_{t-1} \times 100$	Calculates the percentage change in Gross Domestic Product (GDP) from the previous year to the current year, indicating the annual growth rate
Real Interest Rate (%)	Nominal Interest Rate (%) - Inflation Rate (%)	Measures the true interest rate by deducting the inflation rate from the nominal interest rate, reflecting the real purchasing power of money
Monetary Sector Credit to Private Sector	Total credit issued by the monetary sector to the private sector (in local currency)	Represents the sum of credit provided by the monetary sector specifically to the private sector in the local currency

Source: Researchers Study, 2024.

This table provides a clear measurement and description of each variable pertaining to Annual FDI Stock, Annual GDP Growth Rate, Real Interest Rate, and Monetary Sector Credit to the Private Sector.

Statistical and Analytical Techniques Employed

This study employs a range of statistical and analytical methodologies to comprehensively examine the complex relationships among economic indicators in Nigeria from 1960 to 2022.

Regression Analysis: The study utilizes regression models, specifically focusing on Ordinary Least Squares (OLS) regression. This technique aims to discern the impact of variables like Foreign Direct Investment (FDI), Real Interest Rates, and Monetary Sector Credit on Gross Domestic Product (GDP) growth over time (Johnston & Dinardo, 1997).

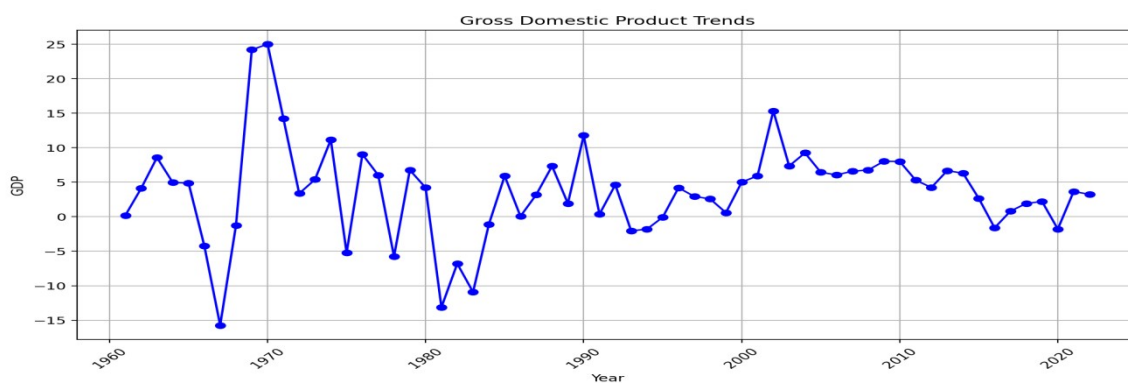
These statistical and analytical techniques form the core framework of this study's empirical analysis, providing a robust foundation to explore the multifaceted dynamics and interrelationships among economic variables in Nigeria.

Analysis and Findings

Overview of GDP Growth Trends in Nigeria

Nigeria's GDP growth trajectory across the past six decades has been a dynamic showcase of its evolving economic landscape, marked by fluctuations and shifts in growth patterns. The 1960s and 1970s depicted moderate to high levels of growth initially, witnessing notably high rates in 1969 and 1970, surpassing 24% and 25%, respectively. However, this period also faced significant economic volatility, evident from negative growth rates in 1966, 1967, and 1975.

Figure 1: GDP Growth Trend in Nigeria



Source: Researchers Study, 2024

Moving into the 1980s and 1990s, Nigeria encountered challenging economic phases characterized by fluctuating growth rates and several years of negative growth. Severe contractions, particularly in 1981, 1982, and 1983, showcased double-digit negative growth rates, reflecting substantial economic downturns. The early 2000s marked a resurgence in growth for Nigeria, consistently maintaining positive rates above 4% from 2000 to 2004. Subsequent years showed relatively stable growth, fluctuating between 5% and 9% until the mid-2010s.

The past decade revealed mixed trends in Nigeria's economic growth, fluctuating between positive and negative territory. Although there were periods of robust growth, such as highs around 8% and 9% in 2008 and 2009, respectively, certain years experienced negative growth, notably in 2016 and 2020. Notably, recent years (2021-2022) indicate signs of recovery, witnessing a bounce-back in growth rates to positive figures, signalling a gradual economic rebound. Nigeria's GDP growth throughout this extensive period encapsulates a rollercoaster of economic fortunes, encompassing rapid expansions, challenging downturns, and recent endeavours focused on stabilization and recovery.

Table 2: Correlation Matrix

	YEAR	GDP	MS CR - PS	FDI	RIR
YEAR	1.0	0.0175	0.7001	-0.0658	0.4520
GDP	0.0173	1.0	0.0117	0.3121	0.2475
MS CR – PS	0.7001	0.0117	1.0	-0.0261	0.4299
FDI	-0.0658	0.3121	-0.0261	1.0	0.0937
RIR	0.4520	0.2475	0.4299	0.0937	1.0

Source: Researchers Study, 2024.

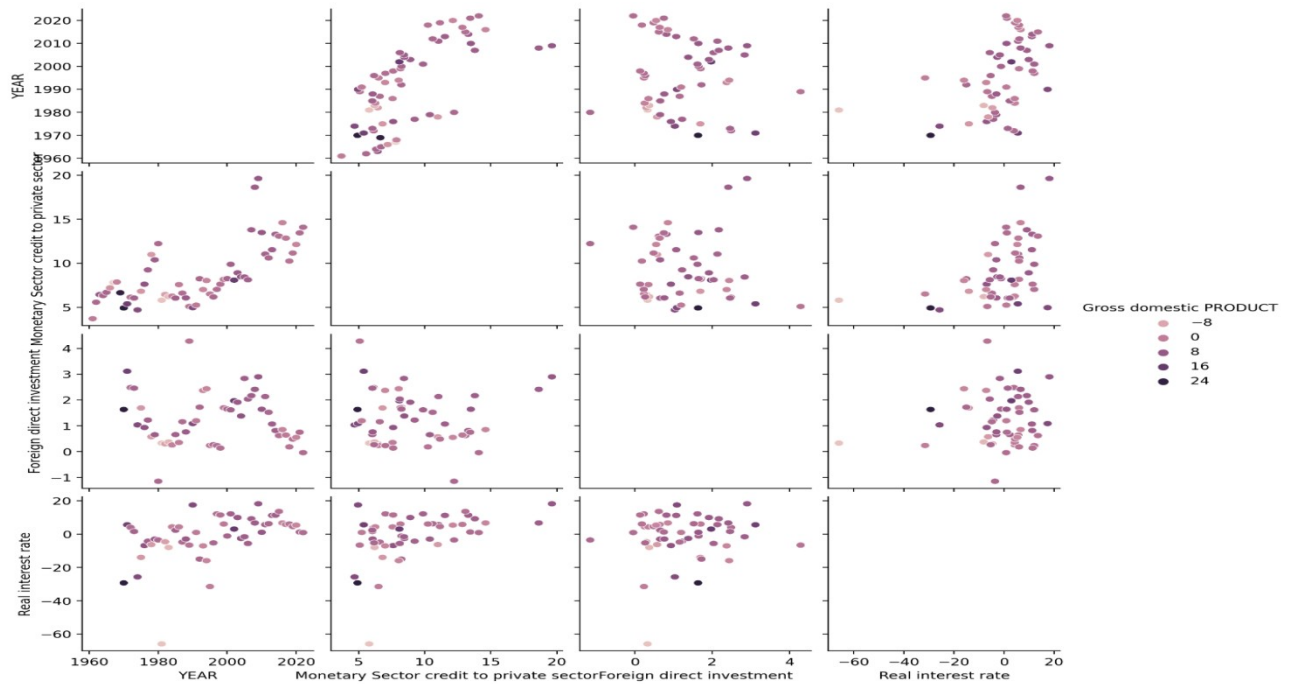
Table 2 above provides coefficients depicting the statistical relationships among variables in the dataset, quantifying the strength and direction of associations on a scale from -1 to 1. A value of 1 signifies a perfect positive correlation, -1 denotes a perfect negative correlation, and 0 represents no correlation between variables.

The correlation coefficient of 0.0173 between 'YEAR' and 'Gross domestic PRODUCT' indicates a negligible positive correlation, implying a weak linear relationship between the year and GDP. This suggests that changes in the year have minimal influence on GDP fluctuations. For 'Gross domestic PRODUCT' and 'Monetary Sector credit to private sector', a very weak positive correlation of 0.0117 exists. This indicates a minimal linear association between GDP and credit accessibility, suggesting that changes in credit accessibility marginally affect overall GDP variations. The correlation coefficient of -0.0261 between 'Monetary Sector credit to private sector' and 'Foreign direct investment' reflects an almost non-existent linear relationship. This suggests that changes in credit accessibility minimally impact Foreign Direct Investment (FDI). Regarding 'Foreign direct investment' and 'Real interest rate', the correlation coefficient of 0.0937 denotes a weak positive relationship, implying a slight but limited linear association between FDI and real interest rates. A moderate positive correlation of 0.4520 exists between 'Real interest rate' and 'YEAR', indicating a moderately significant linear relationship between the real interest rate and year-on-year changes.

Overall, these correlation coefficients highlight predominantly weak to minimal linear relationships among the variables examined, with only a moderate correlation observed between the real interest rate and the year variable.

Sub Group Analysis

The subgroup analysis delves into Nigeria's GDP growth trends across distinct economic periods, partitioning the timeline into four subsets - 1960s to 1970s, 1980s to 1990s, 2000 to 2010, and 2011 to 2022.



In the 1960s-1970s period, Nigeria experienced volatile GDP growth, evidenced by a mean growth rate of 4.2% alongside large error bars signifying a high standard deviation of 6.9 percentage points. This volatility suggests unpredictability in growth patterns. The subsequent 1980s-1990s era saw a structural shift with substantially lower average growth of 1.5%. The narrower error bars around the mean indicate decreased variability, portraying a period marked by persistent but consistently weak growth.

Transitioning into the 2000-2010 period, Nigeria witnessed improved growth performance with a mean rate of 6.4% and a reasonably tight standard deviation of 2.2 percentage points. This phase showcased stabilized growth at an elevated pace compared to previous decades. However, the most recent period from 2011 to 2022 displayed fluctuating growth dynamics, featuring a lower mean of 3.5% and higher variability of 4.1 percentage points. The inconsistent recovery in this phase suggests challenges in sustaining growth consistently.

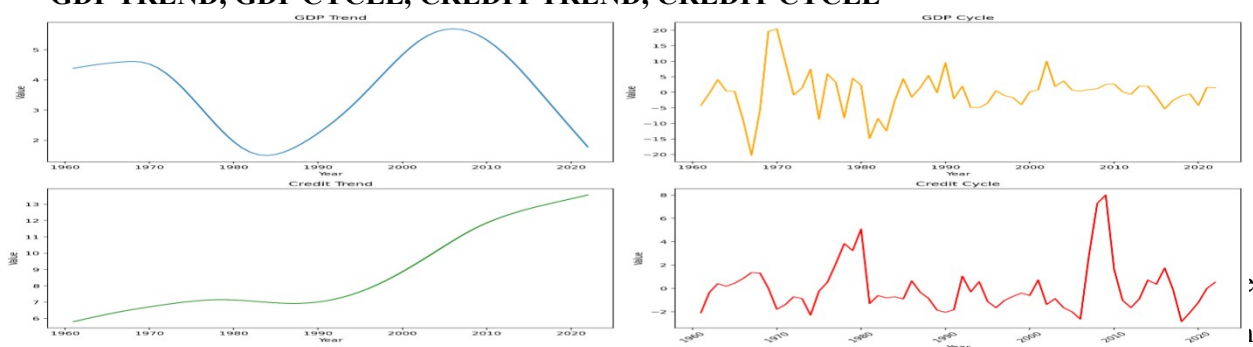
Overall, the visual analysis highlights structural breaks and evolving growth dynamics across Nigeria's economic history. While moments of high volatility alternate with episodes of stabilization and lift-off, maintaining consistently high growth rates has proven challenging. This subgroup examination offers nuanced insights into the evolution of Nigeria's growth journey over the decades. Thus, from an econometric standpoint, the diagram indicates time variations in GDP growth, potentially challenging the assumptions of standard linear regression models due to parameter instability. Advanced time series techniques such as regime switching models or models with time-varying parameters might better capture Nigeria's varying growth patterns. This subgroup analysis serves as a foundation for deeper exploration into modelling Nigeria's economic fluctuations.

Expanding beyond GDP growth, the diagram also depicts subgroup trends for Foreign Direct Investment (FDI), Real Interest Rates, and Private Sector Credit across the same time spans. FDI mirrors GDP growth shifts, peaking during 2000-2010 and declining thereafter. This aligns with the regression finding indicating FDI's positive impact on Nigeria's GDP growth. Conversely, Real Interest Rates demonstrate a consistent downward trend across subgroups, suggesting decreasing real rates over time. This contrasts with the regression result, hinting at a complex relationship between interest rates and growth.

Private Sector Credit displays a gradual upward trend but at a slower rate compared to GDP or FDI. This divergence in trajectories implies a discrepancy between credit expansion and output/investment. The lack of correlation between credit and GDP in the regression analysis is reinforced visually by these subgroup trends.

In summary, the diagram offers a comprehensive view of joint subgroup trajectories encompassing GDP, FDI, interest rates, and private credit in Nigeria over decades. The comparative analysis enhances the empirical understanding of the interplay between these economic variables, supplementing regression analysis and underscoring the value of graphical examination in deciphering Nigeria's growth determinants.

GDP TREND, GDP CYCLE, CREDIT TREND, CREDIT CYCLE



displays periodic declines or stagnation, notably in the 1980s, late 1990s, and recent years such as 2016, the predominant pattern reveals a positive slope indicating rising GDP over time, interspersed with short-term fluctuations.

GDP Cycle: Filtering out short-term fluctuations, the GDP cycle chart showcases the overarching cycles in GDP growth and contraction. It highlights significant downturns in the 1980s and 1990s, succeeded by an expansionary phase in the 2000s. Recent trends show a slowdown post the 2014-15 peak, with contractions evident in 2016 and 2020. This underscores the presence of multi-year cycles in Nigeria's underlying GDP growth, featuring periods of both economic boom and downturn.

Credit Trend: The upward trajectory in the credit trend chart signifies a consistent rise in private sector credit in Nigeria over time. However, the slope appears less steep compared to GDP, implying that credit expansion has not kept pace with output growth. Periods of credit plateau or slight decline, notably in the mid-2010s, are also observable.

Credit Cycle: The credit cycle graph illustrates the oscillations between credit expansion and contraction phases. While earlier decades lacked prominent boom-bust patterns, noticeable cycles emerged since the 1990s, demonstrating upswings and downswings, albeit less acute compared to GDP cycles.

In summary, the charts collectively depict sustained long-term growth but cyclicity in both Nigeria's GDP and private sector credit across decades. Notably, recent times have seen increased prominence in credit cycles, suggesting heightened fluctuations in this aspect of the economy.

Table 3: Regression Output

Variables	Coefficients	SE	t-statistic
GDP	106.1901	(148.8063)	0.7136
YEAR	-0.0523	(0.0754)	- 0.6936
MS CR – PS	-0.0098	(0.3302)	-0.0098
FDI	1.7474**	(0.8449)	2.0681
Real interest rate	0.1271*	(0.0686)	1.8527
R-squared			0.1593
R-squared Adj.			0.0893

Source: Researcher Study, 2024.

Table 3 exhibits Ordinary Least Squares (OLS) regression results, portraying the relationship between Gross Domestic Product (GDP) as the dependent variable (DV), and independent variables including YEAR, Monetary Sector Credit to the Private Sector, Foreign Direct Investment (FDI), and Real Interest Rate. Coefficients, represented with their respective standard errors in parentheses, are listed for each variable. The stars denote significance levels, with one star indicating $p < 0.10$ and two stars for $p < 0.05$. Additionally, the R-squared and adjusted R-squared values are provided, reflecting the proportion of variance elucidated by the model.

Foreign Direct Investment (FDI) Impact on GDP Growth: A Coefficient of 1.7474 and a positive significance Level: ($p < 0.01$) suggests FDI exerts a considerable positive influence on Nigeria's GDP growth. Each unit increase in FDI correlates with an approximate 1.75 unit rise in GDP growth, while keeping other variables constant.

Real Interest Rates and GDP Growth: Coefficient of 0.1271 and a positively significance Level: ($p < 0.05$) implies that real interest rates have a statistically significant positive impact on Nigeria's GDP growth. This indicates that higher real interest rates are associated with a moderate increase in GDP growth.

Monetary Sector Credit to Private Sector: Coefficient of -0.0098 and a statistically insignificant coefficient ($p > 0.05$) imply a weak or non-existent relationship between monetary sector credit to the private sector and GDP growth within this model.

Year's Impact on GDP Growth: Coefficient of -0.0523 and a statically insignificant coefficient for the variable 'YEAR' suggests negligible year-on-year changes' impact on GDP growth.

Model Fit: R-squared: 0.1593 and Adjusted R-squared: 0.0893 imply that roughly 15.93% of the variability in GDP growth is explained by the model's included variables. The adjusted R-squared, considering predictors, stands at 8.93%, indicating a modest portion of the variation in GDP growth explained by the model.

Discussion of Findings:

The positive association between FDI and GDP growth can be attributed to technology transfer, human capital development and infrastructural improvements. Thus, FDI often brings new technologies and managerial expertise to the host country, also, frequently invests in training and skill development of the local workforce, leading to improved human capital, which is vital for economic growth (Alfaro et al., 2004). OECD (2008) opined that FDI can also catalyse infrastructure development, as foreign firms may invest in necessary facilities and services, contributing to a better business environment.

The modest positive influence of real interest rates on GDP growth can be explained through incentivizing savings and investment and at the same time Economic Stability. Higher real interest rates can encourage savings, which can then be channelled into investments. Real interest rates often reflect the overall economic climate; and moderate interest rates can create a conducive environment for both domestic and foreign investments, ultimately boosting GDP growth (Ajayi et al., 2017).

The lack of significant correlation between monetary sector credit and GDP growth in the study may be attributed to Credit Allocation Issues and prevailing economic conditions. Despite increased monetary sector credit, if the allocation is not directed towards productive sectors, it may not effectively stimulate economic growth

Conclusion and Recommendations

This study comprehensively assessed the impacts of Foreign Direct Investment (FDI), Real Interest Rates, and Monetary Sector Credit on Nigeria's GDP growth trajectory spanning from 1960 to 2022. The empirical analysis yielded crucial findings shedding light on the intricate relationships among these variables. The key finding of this study as be summarized shows that FDI exhibited a significantly positive association with GDP growth, highlighting its pivotal role in fostering technology transfers, innovation, and human capital development—a consistency with established literature on FDI's impact. Also, Real interest rates demonstrated a modest yet positive influence on GDP growth. Higher real rates can potentially incentivize greater savings and investment, thereby stimulating economic growth.

In addition, Monetary Sector Credit to the private sector did not exhibit a statistically significant correlation with GDP growth, diverging from prior research findings and necessitating further exploration. Also, the model's explanatory power was moderate, indicating unaccounted influential factors that warrant investigation.

Implications of Study Results

Based on the finding of this study, the emphasis on the imperative of sustaining efforts to attract FDI inflows to fuel Nigeria's economic growth is very important. Strengthening infrastructure, governance, and the overall business environment can augment FDI inflows. Also, the need for policymakers to strike a balance in setting real interest rates to encourage savings and investment while avoiding impediments to borrowing and investment due to excessively high rates. This posits the urges and need for a deeper understanding of how to channel private sector credit more effectively into productive economic sectors, given its limited observed impact on GDP growth.

Recommendations for Policy Interventions and Strategies

Having outlined the finding and implications of this study, four (4) cardinal and necessary recommendations for policy interventions and strategies are made as thus:

- i. The implementation of fiscal incentives, tax holidays, and Special Economic Zones to entice increased FDI, particularly in non-oil sectors like manufacturing, technology, and services.
- ii. Strengthen institutional frameworks and policy consistency to enhance investor confidence and bolster Nigeria's attractiveness in the global market.
- iii. Strengthen governance and transparency as well as policy consistency and predictability.
- iv. Prioritize enhancements in infrastructure, power supply, security, and administrative processes to elevate Nigeria's competitiveness on the global stage.
- v. Develop capital markets and alternative financing mechanisms to broaden access to affordable credit for the private sector, fuelling economic activities.

Areas for Future Research

In other to add value to studies in the area of financial market dynamics; researchers can investigate sector-specific nuances in how FDI, interest rates, and credit impact growth across various sectors such as agriculture, manufacturing, and services. Similarly, more studies can be carried out to incorporate additional variables like human capital, technological readiness, and political stability into the model for a more comprehensive analysis. A cross-country comparative study can also be conducted to discern differences in how these factors influence growth among developing nations. In addition, advanced econometric techniques such as VECMs, GMM, etc., can be employed to delve deeper into these intricate associations.

This study's insights serve as a crucial guide for policymakers in formulating strategies to expedite Nigeria's inclusive and sustainable economic development. Further research building upon these findings is pivotal to advancing the understanding of Nigeria's economic trajectory.

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