**Unpacking the relationship between Foreign Direct Investment, Public borrowing and Economic development in Nigeria: New insights and policy implications**

**Abstract**

This study investigates the intricate relationships between foreign direct investment (FDI), public borrowing, and economic development in Nigeria. Using a combination of econometric techniques and time-series data spanning from 1981 to 2023, we examine the impact of FDI and public borrowing on Nigeria's economic growth and development. The results of the ARDL model technique used in analyzing the data showed that while FDI has contributed positively and significantly to Nigeria's economic development at both the long and short run, the country's reliance on public borrowing has exacerbated its debt burden, undermining the potential benefits of FDI evidenced with its non significance result on real GDP at both long and short run and also that Corruption weakens the impact of the development variables. It is evidenced from the results that countries ought to promote sustainable financial policies and improved government practices. The study highlights the need for policymakers to adopt a more balanced approach to economic development, such that prioritizes sustainable public finance management and human capital development. This research contributes to the ongoing debate on the role of FDI and public borrowing in promoting economic development in developing countries, particularly in Africa. The findings have important implications for policymakers, development practitioners, and scholars seeking to understand the complexities of economic development in Nigeria and beyond.

**Keywords**: Foreign Direct Investment, Public Borrowing, Economic Development, Nigeria, ARDL

**1.0 Introduction**

Nigeria’s economic growth and development have been notably shaped by both foreign direct investment (F.D.I) and government borrowing, with each contributing uniquely but interdependently to the country’s development path. F.D.I in Nigeria is expected to serve as a significant impulse for growth, driven by market expansion, technological know-how, cost advantages, access to resources and a potential for increased return on investment which has a number of potential benefit for both the host and investing entity (Gbenga et al, 2024). Traditionally, F.D.I is designed to improve the recipient economics thereby enhancing economic development; it is in this view that many developing countries attract foreign investors with hope of strengthening their economy by increasing the foreign investment portfolio.

Conversely, Government all over the world including the developed economies relies to some extent on debt to finance their deficits. Canada, Spain, the United States of America, Japan and Italy are among the most developed economies in the world, yet the countries rely considerably on debt to finance aspects of its expenditures. The same can be said of some other developing countries (Global Finance, 2017). However, some countries, particularly the less developed countries (LDC's) have not been able to harness the benefit of debt due to poor debt management and this resulted to huge debt overhang, causing serious draw back on their development.

The Nigerian economy has struggled to achieve sustainable economic growth and development despite increase reliance on foreign direct investment (F.D.I) and public borrowings as key drivers of economic development. The country’s economic performance has been marked by sluggish GDP growth rates fluctuating wildly and per capital income remains low. Despite the potential benefit of F.D.I, including technology transfer, job creation and capital inflows, there are concerns that F.D.I may also lead to capital flight, dependency and unequal distribution of benefits. Similarly, public borrowings may stimulate economic development in the short run but can also lead to debt sustainability issues, crowding out of private investment and reduced credit ratings.

The impact of foreign direct investment and public borrowings on Nigerian's economic development remains unclear, and there is ongoing debate among policy makers and researchers about the effectiveness in these strategies. Akinlo (2025) explored the role of F.D.I in Nigeria's economic development through carbon emission while Ajao (2021) studied the relationship between public debt and economic growth in Nigeria. In addition, Ogbebor (2019) also examined the effect of public debt and F.D.I on economic growth. Despite extensive research on the impact of foreign direct investment (F.D.I) and public borrowing on economic growth and development in various contexts, there remains a significant gap in understanding how these factors specifically interact to influence economic development in Nigeria.

Existing studies often focus on either FDI or public borrowings separately, without adequately exploring their combined effort or nuanced mechanisms through which they operate within Nigeria's economic landscape. Addressing this gap is crucial for policy makers and economist seeking to develop more targeted strategies to enhance economic growth and stability in Nigeria.

This study therefore aims at determining the influence of foreign direct investment and public borrowing on the economic development of Nigeria. The study specifically delved into assessing the roles that foreign direct investment and public borrowing play in driving economic development in Nigeria and to find out whether the roles are sustainable in the long run in the face of corruption lacing the economy of the country.

Based on past studies in the area, this study made the following remarkable contributions to body of knowledge: First, the study's scope was broadened to include not only the influence of foreign direct investment and public borrowing on the economic development of Nigeria, but also how these variables drive the economies of Nigeria when corruption in the system is considered. Second, the study deviated slightly from previous studies' use of nominal/inflation-adjusted GDP as a measure of economic growth, instead opted for Real GDP, which accounts for the inflation factor in the economy and reflects the true value of output level in a given year. Finally, the Auto Regressive Distributed Lag (ARDL) model was used in the research. Unlike most previous research, this model is an in-depth econometric technique that accounts for both the short and long run effects of the independent factors on the dependent variable.

The rest of this paper is organized into literature, methodology, data analysis and discussion and also conclusion which carry policy implications, possible limitations to the study and areas of further studies.

**2.0 Review of related literature**

Important concepts relating to the study were discussed to further x-ray the conceptual link between Foreign Direct Investment, Public borrowing and economic development in Nigeria.

**2.1.1 Foreign direct investment**

Foreign direct investment is seen as a process of moving technology and capital from a nation either developed or developing countries to another nation (John, 2016). Alabi, (2019) opined that foreign direct investments are investments made by an investor either corporate bodies or individuals in a country other than the domestic country of origin of the investor in creating business of buying an asset in the country. FDI in Nigeria is pivotal for economic transformation, but effective policies and reforms are essential to overcome challenges and maximize the benefits (Akinlo, 2025). FDI serve as a driver of growth and development through the provision of investment capital, boosting of competition and creating job opportunities that contributes to economic expansion.

Consequently, FDI is a key drive for export expansion and technology diffusion, both of which have positive spillover effects on broader economy, thus leading to economic growth, (Arezki et al, 2021). The investment decision of foreign investors in entering the host country partly relies on the prevailing economic conditions and investment environment of the host country (Suleiman et al, 2015).

**2.1.2 Concept of public debt**

Debt is the amount of money or funds borrowed by one party from another. Public debt are funds borrowed by government from external or domestic source to finance various projects and expenditures, these funds are typically raised through the issuance of bonds, loans or other financial instruments (Akanbi & Olaoluwa, 2022). Borrowings by countries are occasioned by inability to raise enough revenue from local sources for the administration of government business. The occurrence of global economic crisis has provided further impetus for countries (especially the developing ones) to borrow as they are often confronted with the need for increased expenditure levels and declining capital inflows (Ogbonna et al, 2019).

 Public debt plays a crucial role in funding government spending, especially when tax revenue is scarce and expenditure reduction is challenging. However this has lead to substantial debt accumulation for most governments over the years. Countries with weak economic structures face significant issue with high public debt, as it can lead to uncertainty and hinder economic growth (Abdulkarim et al, 2021).

Moreover, high debt-to-GDP ratio deters investors, negatively impacting the stock market and reducing productive investment and employment opportunities in the long run (Saungweme et al, 2019). In addition, rising debt burdens restrict the government's ability to pursue more productive investment programmes in infrastructures, education and public health (Johnny &Johnny walker, 2018). Borrowed fund if well applied is expected to accelerate economic growth and development in a country (Essien.et al, 2016).

**2.1.3 Concept of Gross Domestic Product (GDP).**

The concept of GDP is crucial for understanding the scale and health of an economy (Mankiw, 2023). Gross domestic product measure the value of all final goods and services produced in a country during a specific period and serves as a broad indicator of economic performance (Krugman & Well, 2018). Policy makers use GDP data to design economic policies aimed at fostering growth and addressing economic challenges. However, for effective policy making, GDP figures should be complimented with other economic indicators and comprehensive analysis of economic conditions (World Bank, 2023).

Furthermore, the international monetary fund (IMF) emphasized that GDP provides a comprehensive Snapshot of a countries economic activities, serving as a key metric for policy makers, investors and analyst to gauge economic health and make informed decisions. The GDP of a country tends to increase when the total Value of goods and services that domestic producers sell to foreign countries exceed total value of foreign goods and services that domestic consumers buy. Issues accountable for unsatisfactory GDP growth is inadequate production of domestic goods, fewer export and more imports, a rise in population of dependent individuals, political instability and natural calamities (Liu, 2018).

**2.1.4 Relationship between F.D.I, public borrowings and economic development.**

The relationship between F.D.I, public borrowings and economic development is interconnected. F.D.I can complement public investment by providing additional capital and expertise, thereby reducing the need for excessive public borrowings. According to Abiad et al (2016), countries that effectively attract F.D.I may rely less on public borrowings to finance growth enhancing projects.

On the other hand, Kumar (2017) opined that excessive public borrowings can deter F.D.I if investors perceive high debt levels as a risk to economic stability. These are particularly relevant in developing countries, where high public debt can lead to currency devaluation and inflation, making the economic development less attractive for foreign investors (Kumar, 2017). According to Ndiaye and Xu (2016), maintaining a balanced approach to public borrowing while actively promoting F.D.I can create a virtuous cycle of growth, where F.D.I boosts productivity and public investment further enhancing the growth potential of the economy.

**2.2 Theoretical review**

The study is grounded on two key theories namely Endogenous Growth Theory and Neoclassical Growth Theory but the endogenous growth theory primarily underpins this study. The theories are discussed below

**2.2.1 Endogenous growth theory**

Endogenous growth theory championed by Romer (1990) and Lucas (1988) emphasized the role of technological change and human capital as intrinsic factors in the growth process. Endogenous growth theory argues that technological advancement is an outcome of economic activities, influenced by investments in human capital, innovations and knowledge. F.D.I can stimulate economic growth and development by contributing to these areas. Endogenous growth theory also suggests that public borrowing can be beneficial if used to finance investments in infrastructure, education and research & development, such investment can enhance human capital and foster innovations aligning with the principles of the theory.

This study is anchored on the Endogenous growth theory as it explores how internal factors, including F.D.I and public investment in human capital and technology contributes to economic growth. It emphasizes the role of F.D.I in introducing new technologies and skills and how public borrowing can support growth by investing in key sectors.

**2.2.2 Neoclassical Growth Theory**

Neoclassical growth theory, developed by Solow (1956), posits that economic growth and development are driven by capital accumulation, labor Force growth and technological progress. F.D.I plays a critical role in this model as it contributes to Capital accumulation and introduction of new technologies. The theory suggests the F.D.I should lead to higher economic growth and development by increasing the stock of capital and fostering technological advancements. In Nigeria, foreign direct investment (F.D.I) has been noted to have a substantial positive impact on economic growth.

**2.3 Empirical review**

Gbenga et al (2024) examined the effect of foreign direct investment and external debt on economic growth of Nigeria. Descriptive statistics, time series auto regressive distributive lag and robust grander causality were adopted as the estimating techniques. The results showed that from 2001 to 2022, Nigeria's F.D.I continued to decline, Nigeria's external debt servicing continued to grow on an upward trajectory and the growth of GDP has been on a decline. ARDL analysis results also confirmed that the lag of F.D.I and current exchange rate exert positive effect on current growth in Nigeria with a 1percent increase in F.D.I, current external debt and current exchange rate increases growth by 1.49%, 1.58% and 0.02% respectively.

Abdulkarim et al (2021) investigated the effect of government debt on Nigeria's economic growth using annual data from 1980 to 2018 and the Auto Regressive Distributed lag technique. The variables used in the analysis include gross domestic Products, domestic and external debt. The result showed that external debt constituted an impediment to long term growth while its short term effect was growth enhancing. Domestic debt had a significant positive impact on long term growth while short term growth effect was negative.

Theophilus et al (2019) evaluated the extent to which foreign direct investment (F.D.I) has contributed to gross domestic product of Nigeria from 2000 to 2017. Ex-post facto research design was employed and regression analysis was adopted. The study revealed the foreign direct investment on financial sector has positive effect and significantly affect G.D.P. It also showed that foreign direct investment on oil sector has positive and significantly affects G.D.P.

Ogbebor and Aigheyisi (2019) investigated the effect of public debt and foreign direct investment on economic growth in Nigeria using annual time series data spanning the period 1981 to 2016 and bounds test approach to co-integration and error correction analysis. The variables used in the analysis include F.D.I, external debt, domestic debts and G.D.P. The study finds a significant negative effect of domestic debt on economic growth in the short run and the long run. It also finds the growth effect of external debt to be non-significant in the short run but positive in the long run. The growth effect of F.D.I on economic growth are found to be non significant in the long run and the short run

Elom-Obed et al (2017) analyzed the relationship between public debt and economic growth in Nigeria using the vector error correction model (VECM) and annual data from 1980 to 2015. The variables used in the analysis include foreign direct investment, domestic debt and G.D.P. The study’s findings revealed a significant negative impact of foreign and domestic debt on economic growth in Nigeria.

John (2016) wrote on the effect of foreign direct investment on economic growth in Nigeria spans from 1981 to 2015 using multiple regression technique. Variables used in the analysis were F.D.I, exchange rate and GDP. The study found that foreign direct investment has a positive and significant effect on G.D.P. It was also found that exchange rate has a positive but non-significant effect on gross domestic product.

Oladejo (2016) analyzed the impact of foreign direct investment on Nigerian economic growth spanning 24 years (1991-2014) and made use of ordinary least square as estimation approach. The analysis showed a rise in F.D.I for a specific period, followed by a fall due to enormous capital outflow and investor divestment brought on by the global recession.

Udeh et al, (2016) examined the impact of external debt on economic growth in Nigeria using the O.L.S method and annual data spanning the period 1980 to 2013. The study modeled G.D.P as a function of external debt stock, debt service payments and exchange rate. The empirical results indicated that external debt stock and debt service payments impact negatively while the exchange rate showed a positive impact. They study concentrated on external debt which is a fraction of total debt stock and used OLS estimation technique that cannot separate the long and short run effects of external debt on growth.

**3.0 Methodology**

This study adopted the ex-post facto research design where a time series data from the annual publications of Nigeria from Debt Management Office (DMO), the Nigeria National Bureau of Statistics, Transparency International and CBN Statistical Bulletins from 1981- 2023 were obtained. The aforementioned design ensures the acquisition of pre-existing, less manipulated data for the purpose of quantitatively assessing the influence of foreign direct investment and public borrowing on economic development of Nigeria with corruption as the control variable.

The whole economy of Nigeria comprises the study's population, and entire population was used in the study thereby adopting census approach. Its main aim was to assess the influence of foreign direct investment and public borrowing on economic development of Nigeria with corruption as the control variable. Nigeria enjoys the features of being one of the biggest West African economies that has the largest inflow of foreign direct investment and also a large chunk of public borrowing by government both internally and externally.

Secondary data were used for the study spanning from 1981 to 2023 which were obtained from Debt Management office (DMO) for data on External debt profile of Nigeria, Central Bank of Nigeria for data on Real Gross Domestic Product, National Bureau of Statistics for data on Foreign Direct Investment and Transparency International for data on Corruption Perception Index.

**3.1 Model specification**

The model for this study was formulated to capture the influence of foreign direct investment and public borrowing on economic development with corruption acting as the control variable. The model presented foreign direct investment and external debt as proxies for the independent variable and Real GDP as measure for economic development. The model for the study is presented in its functional form as:

GDP = f (FDI, EXTDEBT, CPI)

The econometric form of the stated model is given below:

INGDP*t* = *b0 +b1*INFDI*t* + *b2*INEXTDEBT*t* + *b3*INCPI*t+* (*t)*

Where, GDP, FDI, EXTDEBT and CPI represent real gross domestic product, foreign direct investment, external debt and corruption perception index at different years (t).

The standard ARDL form of the model specified above is stated as:

**3.2 Data analysis techniques**

The descriptive statistics were presented to show the normality of the model and it’s fit or otherwise for Ordinary Least Square technique. The Stationarity of the variables in the time series data analysis was ascertained using ADF and Philip Perron tests. After which, the co-integrating and long run relationship among the variables was also ascertained using ARDL Bounds co-integration test. The time series data extracted was finally analyzed using the Autoregressive Distributive Lag (ARDL) model which accommodates variables integrated at different orders of integration. The model is fit for analyzing data integrated at both 1(0) and 1(1). Finally the study also conducted various diagnostic tests to ascertain fitness and stability of the model for the analysis.

**4.0 Data presentation and analysis of result**

The time series data analysis started with the conduct of Descriptive Statistics and Stationarity test.

**Table 1 Descriptive statistics**

**Variable Mean Std. Dev. Skewness Kurtosis Jarque-Bera(P-value)**

LNFDI 2.774080 0.653095 0.465148  3.375670 1.803450(0.405869)

LNEXTDEBT 2.890540  0.972848 -0.533516  3.362163  2.274915(0.320633)

LNCPI 1.310471 0.149369 -1.563485    4.9931131 6.04219(0.000328)

LNGDP  4.506681  0.263568  0.127114 1.433167  4.514279(0.104649)

**Source:** Authors computation using E-views 10.0 (2025)

The outcome of the descriptive statistics for the time series data is presented in Table 1 above. The result showed that LNGDP has the highest mean value among the variables studied with an average of 4.506681. The result also showed that the variables are positively skewed going by the result of the skewness except for LNCPI which showed negative skewness.

All the variables are leptokurtic in nature as their values for kurtosis are greater than 3 except for LNGDP which is platykurtic in nature as its kurtosis is less than 3. This indicates a higher than normal distribution and also implies that the distributions produce more or greater extreme outliers than does the normal distribution. The P-values of the Jarque-Bera test for all the variables studied were insignificant at 5% level of significance and at such were normally distributed except for the P-value of LNCPI which was significant at 5% level of significance and is not normally distributed. These discrepancies in results of normality create reasons to subject all the variables to Unit root test.

**4.2 Stationarity test**

Table 2: Augmented Dickey Fuller (ADF) and Philip Perron Unit Root Tests

 **@LEVELS @1ST DIFFERENCE**

VARIABLES ADF PP REMARK VARIABLE ADF PP REMARK

INFDI  0.0330  0.0361 Stationary D(INFDI) 0.0000 0.0000 Stationary

LNEXTDEBT 0.5759 0.5556 Non-stationary D(LNEXTDEBT)  0.0016 0.0014 Stationary

LNCPI   0.0061 0.0089 Stationary D(LNCPI)  0.0000 0.0000 Stationary

LNGDP  0.9046  0.9619 Non-stationary D(LNGDP) 0.0090 0.0124 Stationary

**Source:** Authors computation using E-views 10.0 (2025)

From the unit root test result presented, we observed that at levels, some of the variables were non stationary at 5% significance level (LNEXTDEBT and LNGDP) while some of the variables were stationary at level at the same level of significance (LNFDI and LNCPI). Also, all the variables were stationary at first difference. This leads to testing for the long run co-integrating relationship among the variables. This test is presented below.

**4.3. Co-integration Test Result**

After establishing the stationarity of the variables which were mixed at both levels and first difference and lag length structure which confirms the use of Autoregressive Distributive Lag (ARDL) model for the analysis, the study proceeded to test for co-integration among the variables. The ARDL Bounds Co-integration test was employed for this purpose. This test is reactive to the length of the lag; therefore, in order to reduce misleading or spurious results, the optimal lag length was automatically generated by the system and used as generated. The summary of the result of the Co-integration test is presented in Table 3.

Table 3: ARDL Long run form and Bounds Co-integration test

**Variables Coef T-stat P-value F-stat Upper bound**

LNFDI(-1) 0.660171 3.966578 0.0009   13.79948 \* 5.61

LNEXTDEBT(-1) 0.054207 1.299209 0.2103

LNCPI(-1) -1.149609 -1.611341 0.1245

**Source:** Authors computation using E-views 10.0 (2025)

Table 3 above shows the results of the ARDL long run form and Bounds test performed on the variables. From the results above, the variables were significant at 1% with their F-stat value (13.79948) being higher than the upper bounds value at 1% (5.61). This shows that there exist a long run co-integrating relationship between Foreign Direct Investment, Public borrowing and the economic development controlled by corruption in Nigeria.

Tracing the long run effect of the independent variables on Real GDP, foreign direct investment (LNFDI) in Nigeria had a positive and significant long run effect on Real GDP, implying that one percent increase in the value of Foreign Direct Investment will lead to 0.66% increase in Real GDP in Nigeria; external debt (LNEXTDEBT) had a positive but non-significant long run influence on real GDP while Corruption (LNCPI) showed a negative and non-significant effect on the relationship between FDI, External debt and Real GDP of Nigeria, implying that a percent change in Corruption (LNCPI) will lead to 1.14% decrease in the effect of foreign direct investment and public borrowing on Real GDP of Nigeria. The outcome of the study confirms the study of Abdulkarim & Yusuf (2020) and contradicts the studies of Opadeji et al (2023).

**4.4. Short run relationship**

The short run relationship among the variables was ascertained using the ARDL Error correction regression. The result of the short run effect between the aggregate tax revenue and economic development in Nigeria and Ghana is as presented in Table 4 below

**Table 4: Parsimonious short run relationship (ECM regression)**

**Variables Coef t-stat P-value**

D(LNFDI(-1)) 0.021517 3.800290 0.0013

D(LNEXTDEBT(-1)) 0.013123 1.548813 0.1388

D(LNCPI(-1)) -0.138770 -6.458673 0.0000

CointEq(-1)\* -0.129723 -8.024810 0.0000

R-squared 0.783156

Adjusted R2  0.741852

Prob(F-Stat) 0.000001

D-W stat 1.979186

C 0.570693 8.353789 0.0000

**Source:** Authors computation using E-views 10.0 (2025)

Table 4 above shows the results of the ARDL Error Correction regression performed on the variables. From the results above, the coefficient of the Error correction term or co-integrating equation is negative and statistically significant. This result explains that the speed of conversion to the stable path of long run equilibrium is 12.9%, implying that the short run disequilibrium is reversed in 1year.

Tracing the short run effect of foreign direct investment and public borrowing on Real GDP shows that foreign direct investment drives economic development in Nigeria in the short run positively and significantly while external debt also affects economic development in Nigeria in the short run positively though insignificantly. This implies that a percent increase in foreign direct investment in Nigeria will lead to 2.1% rise in Real GDP; a percent increase in external debt will lead 1.3% increase in Real GDP in Nigeria, while Real GDP will reduce by 13.8% when there is 1% increase in the rate of corruption in the utilization of foreign direct investment and external debts in Nigeria. The outcome of the study confirms the studies of John (2016); Ogbebor & Aigheyisi (2019) and contradicts the study of Nweke et al (2017).

Also from Table 4, the overall ARDL Error Correction regression given by the P-value of the F-statistics (0.000001) is highly significant at 5% level of significance while the model is free from autocorrelation with Durbin Watson of 1.97 which is a little below 2.0. The value of 0.783 implies that 78.3% of the variation in the dependent variable is explained by the independent variable while the remaining 21.7% is accounted for by the error term in both models.

**4.5 Post estimation/ Diagnostic tests**

Several diagnostic test techniques were deployed namely Heteroskedasticity ARCH test, Breusch-Godfrey Serial Correlation LM Test and CUSUM test. The results of these diagnostic tests are presented in Table 5 below.

**Table 5: Post estimation and Diagnostic tests**

**Tests F-statistic Prob**

Hect ARCH 0.079236 0.7809

Serial LM Test  0.043511 0.8372

**Source:** Authors computation using E-views 10.0 (2025)

Table.5 shows the results of the post estimation and diagnostic tests conducted. From the results above, the diagnostic test confirms the reliability and strength of the estimations for policy making with the probability of both tests being insignificant at 5% level of significance. The CUSUM graph is stable showing that the model is fit for the estimation as it falls within the 5% significance level in the graph shown below:



**Graph 1-CUSUM graph**

**4.4 Discussion of findings**

The outcome of this analysis shows that Foreign Direct Investment has both long run and short run positive and significant influence on Real GDP of Nigeria. Also the percentage contribution of Foreign Direct Investment to GDP of Nigeria which ranging from 1% to 5% of the GDP contribution in Nigeria showing that Foreign Direct Investment exerts some influence on economic development in Nigeria though relatively small as the country is yet to fully enjoy the benefits of FDI especially with its long term sustenance. This outcome is consistent with the results of Gbenga et al (2024), Theophilus et al (2019) and contradicts the findings of Oyegun & Eleh (2023).

The result of this analysis shows that the influence of External debt on Real GDP in Nigeria though positive, has been insignificant in both long run and short run. This can be attributed to several factors relating to the debt management strategies, Nigeria’s monetary and fiscal policies and corruption factor among others. This result disagrees with the findings of Elom-Obed (2017). But the result is consistent with the findings of Gbenga et al (2024).

**5.0. Conclusion and recommendations**

The broad objective of the study is to assess the extent to which Foreign Direct Investment and Public borrowing drive economic development of Nigeria with corruption moderating the relationship between foreign direct investment, public borrowing and economic development of Nigeria. From the result of the study above, foreign direct investment had positive and significant influence on Real Gross Domestic Product (GDP) of Nigeria at both long and short run while external debt had positive but insignificant effect on economic development of Nigeria at both long and short run. This implies that the foreign direct investment received into Nigeria and public borrowing by Nigeria for the periods under review have both short and long run effects on her economic development.

The study also showed that corruption in the management and utilization of foreign direct investment and public borrowings by Nigeria waters down the influence of these variables on the economic development of Nigeria. This means that when corruption is introduced in the management of foreign direct investment and public borrowing, the generated funds have declining impact on economic development in Nigeria.

Based on the above study’s findings, the study therefore recommends that; Nigerian government should prioritize creating conducive environment to attract more F.D.I. This can be done through policies that enhance ease of doing business and promoting political and economic stability, Nigerian government should reduce reliance on external debt, particularly for non-productive purposes. It is crucial to manage external borrowing prudently, ensuring that funds are used for projects that generate economic development and can repay the debt in the long run.  Government should also ensure that corruption is nipped to the bud especially in projects championed from foreign direct investment and external debts.

Scope of the study was limited to only Nigeria, particularly in the area of data collection, analysis and empirical discoveries, at such; the study was unable to broaden the data scope to her liking by covering other countries. Also, data on Corruption Perception Index could not cover some earlier years due to their unavailability. In consideration to these limitations, the study suggests that similar study that accommodates data from other countries or other continents should be considered to see possible effects in further studies.

Disclaimer (Artificial intelligence)

Option 1:

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

Option 2:

Author(s) hereby declare that generative AI technologies such as Large Language Models, etc. have been used during the writing or editing of manuscripts. This explanation will include the name, version, model, and source of the generative AI technology and as well as all input prompts provided to the generative AI technology

Details of the AI usage are given below:

1.

2.

3.

**6.0 References**

Abdulkarim Y., Soudatulakmal, M.&McMillan, D. (2021), The impact of government debt on economic growth in Nigeria, *Cogent Economics & finance, 9*(1), 2-4, http://hdl.handle.net/10.1080/23322039.2021.1946249

Abiad, A, Furceri, D. &Topalova, P. (2016).The Macroeconomic Effects of Public Investment: Evidence from Advanced Economies, *Journal of Macroeconomics, 50*, 224-240

Akinlo, A.E (2025). The impact of foreign direct investment on carbon emissions in Nigeria,*Journal of Sustainable development in Africa,27*(1)

Akanbi, A. & Olaoluwa, S. A. (2022). Impact of sub national public debt on economic growth in Nigeria, *Journal of Management, Economics, and Industrial Organization, 6*(2), 13-27, <http://doi.org/10.31039/jomeino.2022.6.2.2>

Alabi, K.O (2019). The impact of foreign direct investment on economic growth: Nigeria

Experience, *Open journal of applied science, 9*(1) 372-385

Arezki, R., Simeon, D., &Panizza, U. (2021). Shaping africa’s post-

covid-Recovery. Paris and London: CEPR press. Available online: https:// eepr.org/publications/books-and-reports/shaping-africas-post- covid-recovery

Elom- Obed, O.F, Odo, S.I, Elom, O.O &Anoke, C.I (2017), public debt and economic

growth in Nigeria. *Asian research journal of Art & social sciences 4*(3), 1-16

Essien, S.N, Agboegbulem N.T.I, M.K, and Onumonu, O.G (2016), An empirical

analysis of the macro economic impact of public debt in Nigeria. *Journal of applied statistics 7*(1), 34-47, https://dc.cbn.gov.ng/jas/vol7/iss1/7/

Gbenga W. A. and Abieyuwa, O. (2024),The effect of external debt and

foreign direct investment on economic growth in Nigeria. *Economics 12*(6), 1-5. [https://doi.org/10.3390/economies 12060142](https://doi.org/10.3390/economies%2012060142).

Global Finance (2017), countries with the most external debt in 2017. Retrieved from

[www.gfmag.com/global-data/economic-data/external debt-in-countries-around-the-world. on sept 2018](http://www.gfmag.com/global-data/economic-data/external%20debt-in-countries-around-the-world.%20on%20sept%202018).

Johnny, N. & Johnnywalker, W. (2018). The relationship between external reserves and economic growth in Nigeria (1980-2016),*International Journal of Economics, Commerce and Management, 6*(5), 213-241

John. E.I, (2016).Effect of foreign direct investment on economic growth in Nigeria,

*European business & management, 2*, 40-46

Krugman, P. &Wells R.(2018). Macro economics,Worth publishers

Kumar, R.(2017). Impact of public debt on foreign direct investment, *journal of economic development, 42* (1), 23-40

Liu,W.(2018). GDP and the new concept of development: Understanding China’s

changing concept of development in regards to GDP after the reform and opening up. In R. Garnaut, L. Song, & C. Fang (Eds), China’s 40 years of reform and development: 1978-2018 (pp, 67-74). ANU press, [https://doi.org/10.22459/CYRD. 07.2018.04](https://doi.org/10.22459/CYRD.%2007.2018.04)

Lucas, R.E.(1988), on the mechanics of economic development, *journals of monetary*

*economics, 22* (1), 3-42, https://doi.org/10.1016/0304-3932(88)90168-7

Maniw, N. G. (2023), principle of macro-economic, engage learning.

Ndiaye, G. & Xu, H. (2016). Impact of Foreign Direct Investment (FDI) on economic growth in WAEMU from 1990 to 2012, *International Journal of Financial Research, 7*(4), 33-43, <http://dx.doi.org/10.5430/ijfr.v7n4p33>

Nweke, G.O., Odo, S. I., & Anoke, C. I. (2017). Effect of capital formation on

economic growth in Nigeria. *Asian journal of economies, business and accounting 5*(1), 1-16

Ogbebor, O. &Aigheyisi, O. (2019). Public debt, foreign direct investment and economic

growth in Nigeria. *Finance and economic review 1*(1) 1-23

Ogbonna, K.S, Ibenta, S.N, Chris. Ejiogu, U.G, & Atsanan, A.N (2019) public debt

services and Nigerian economic growth. *European academic research, 6*(10), 22-34

Oladejo, T.B(2016), Empirical evaluation of the effect of foreign portfolio investment on

Nigeria economic growth, *International journal of comparative studies in international relations & development 4*(1), 161-174

Opadeji, A. A., Adesina, T. A. &Ogunleye, B. O. (2023), Gross capital formation, infrastructure and economic development in Nigeria, Asian journal of economics, business and accounting, 23(4), 45-62

Oyegun, G. & Eleh, C. C. (2023), the impact of capital formation on economic growth in Nigeria. Middle European scientific bulletin https://doi.org/10.47494/mesb.v34i.1718

Romer, P. M. (1990), Endogenous technological change, *Journal of political economy*

*98:571-8102.*

Saungweme, T. Odhiambo, N.M, & Camarero, M.(2019), Government debt, government

debt service and economic growth nexus in Zambia: A multivariate analysis. *Cogent Economics & Finance, 7(1), 1* 22998, <https://doi.org/10.1080/23322039.2019.1622998>

Solow, R,M. (1956), A contribution to the theory of economic growth. *The quarterly*

*journal of economics, 70*(1), 65-94

Suleiman, N. N., Kaliappan, S. R. & Ismail, N. W. (2015), Determinants of

foreign direct investment: Empirical evidence from southern African customs union (SACU) countries*. International journal of economics and management, 9*(1), 1-24

Theophilus O. O., Ramond, A. E., Darlington, I. O. (2019). Foreign direct investment and Nigeria economic growth, *International journal of Accounting, finance & risk management. 4*(1), 15-23, <https://doi.org/10.11648/j.ijafrm.20190401.12>

Udeh, S.N, Ugwu, J.I, &Onwuka, I.O (2016), External debt and economic growth: The

Nigeria experience, *European journal of Accounting, Auditing and Financing Research, 4*(2), 33-48

World Bank (2023), Nigeria economic update,World Bank publications