Effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria

AKINTUNDE, Adewale John

Department of Accounting
Bingham University,
Karu, Nasarawa State.
Phone No: +234 8036234536

ARUMONA, Jonah, Ph.D

Department of Accounting
Bingham University,
Karu, Nasarawa State.
E – Mail: jonaharumona@yahoo.com, Phone No: +234 07034684686

Abstract

Foreign Direct Investment (FDI) can be a source of valuable technology and know-how and enhances linkages with local firms, which can help to boost growth in an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies. Deficit spending may be consistent with public debt remaining stable as a proportion of GDP, depending on the level of GDP growth. When the economy has high unemployment, an increase in government purchases creates a market for business output, creating income and encouraging increases in consumer spending, which creates further increases in the demand for business output. The policies of budget deficits have however posed challenges to the Nigerian economy with regard to its effectiveness and the accumulation of debt, the justification for growth notwithstanding. Government deficit spending is a central point of controversy in economics, with prominent economist holding differing views. Ordinary Least Square (OLS) multiple regression technique is used and it is useful for estimation, Gross Domestic Product which is the dependent variable will be regressed on the explanatory variables in the equation which includes Foreign Direct Investment and Budget Deficit. The findings of the study indicated that Foreign Direct Investment and Budget Deficit made positive impact on Economic Growth in Nigeria. The recommendations of the study were: Fiscal deficits should be channeled to productive investments like road construction, electricity provision and Pipe-borne water that would serve as incentives to productivity through the attraction of foreign direct investments and adequate monetary policy should be geared towards balancing the role money supply performs to both budget deficit and Foreign Direct Investment.

Keywords: Budget Deficit, Foreign Direct Investment, Economic Growth, GDP

1. INTRODUCTION

Foreign Direct Investment (FDI) can be a source of valuable technology transfer and know-how and enhances linkages with local firms, which can help to boost growth in an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies (Melnyk, Kubatko & Pysarenko, 2014). For a developing country like Nigeria, Foreign Direct Investment is considered as a way of transferring technology and capital from other developed and even developing countries to the domestic economy. According to Solomon (2013), Foreign Direct Investment is considered to be one of the major channels of technological transfer. Melnyk, Kubatko and Pysarenko (2014) believe that when Foreign Direct Investment comes to a domestic country (in specific business), that firm receives a competitive advantage due to the usage of new knowledge, experience, ways of production and management (Silvio, and Ariel, 2013).

Budget deficit is a situation where current expenditure exceeds current expected income. Budget deficits have become a recurring feature of public sector financing in Nigeria from 1990 - 2018. The Keynesian demand-side economics emphasized the need for expansion in government expenditures even beyond current income, particularly during depressions when the economy suffers from an insufficiency of active demand, such as the Great Depression of 1929 to 1932, and more recently, the 2008 Global Financial and Economic Crisis. This will thereby increase the demand for productive output, resulting in reflation of the economy and employment creation (Anyanwu and Oaikhenan, 2012; Ogboru, 2010).

A commonly observed phenomenon in most developing countries is that, the public sector plays a dominant role in initiating and financing economic growth. Sustainable economic growth and development is one of the most challenging issues in both developed and developing countries of the world. The importance of an effective running of monetary and fiscal policies is to reduce balance of payment deficit, control inflation, reduce unemployment and sustain economic growth. A deficit does not simply stimulate demand. If private investment is stimulated, that increases the ability of the economy to supply output in the long run. Also, if the government's deficit is spent on such things as infrastructure, basic research, public health, and education, that can also increase potential output in the long run. Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with the same inputs of labor, capital, energy and materials (Najid, 2013). The policy of budget deficits has however posed challenges to the Nigerian economy with regard to its effectiveness and the accumulation of debt, the justification for growth notwithstanding. Government deficit spending is a central point of controversy in economics, with prominent economist holding differing views. Economic research over the years has shown that budget deficit results in a number of economic consequences, particularly for economic growth and development. Also, numerous macro-economic aggregates are affected in the process of budget deficit. The high level of debt service payment prevented the country from embarking on large volume of domestic investment, which would have enhanced growth and development. With the debt forgiveness granted to Nigeria, one would expect the economic process of the country to be increased.

Despite the considerable volume of research on the subject, there is conflicting evidence in the literature regarding the question as to how Foreign Direct Investment relates to economic growth. In particular, a two-way interaction has been discussed in the literature of Foreign Direct Investment(FDI)-growth relationship. On one hand, Foreign Direct Investment is being seen, by many, as an important element in the solution to the problem of scarce local capital and overall low productivity in many developing countries (Eller, Haiss, Steiner, 2014). Hence, the flow of foreign direct capital is argued to be a potential growth-enhancing player in the receiving country. This view is challenged by many authors. For example, Carkovic and Levine (2012) show that there is no robust impact from FDI on growth if country-specific level differences, endogeneity of FDI inflows and convergence effects are taken into account. In addition, Akinlo (2012) showed that both private capital and lagged foreign capital have no statistically significant effect on the economic growth. This research work has been guided by the following research questions. What impact does Foreign Direct Investment and Budget Deficit make on Economic Growth in Nigeria? Consequently, the hypothesis underlying this study is stated thus:

$H_0$1: Foreign Direct Investment and Budget Deficit do not make positive impact on Economic Growth in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Foreign Direct Investment (FDI) and Economic Growth conceptualized

Foreign Direct Investment is a form of lending or finance in the area of equity participation. It generally involves the transfer of resources, including capital, technology, and management and marketing expertise. Such resources usually extend the production capabilities of the recipient country (Odozi 2014).

The concept of Foreign Direct Investment refers to a movement of capital that involves ownership and control of a firm in another country. The concept of FDI and Economic Growth has remained on the relationship between the MNEs and the host societies and how development is appraised in these host societies. The issue of contribution to development through social responsibility by the business enterprise has become a topical issue in management decision and is negatively favoured in these host societies. The Multinationals provides inputs at lower cost to local downstream buyers or by their increasing demand for inputs produced by local upstream suppliers. This took place in some developing countries including Nigeria as nationals of these countries have their capacity built in various sectors and now hold technical and managerial positions in multinational enterprises. Host economy receives rents from multinational enterprises. It is argued that by attracting multinational firms, the host economy captures a portion of the rents that these firms generate (Glass & Saggi, 2011). Multinational enterprises pay corporate tax and other taxes imposed on them by the host government, which generates huge sums of money in U.S dollars that have enabled the governments of host economies in their developmental strides. Another area is an increase in an economy's access to specialized intermediate inputs which are produced in more developed economies and accessible abroad through multinationals.

This, according to the proponents of FDI, it raises the economy's total factor productivity, especially in the less developed economies through access to the stock of knowledge capital. This access makes labour and other factors in the host economy more productive (Imoudu, 2012). Besides, FDI Improve the living standard of the host economy. It is argued that MNEs pay their workers higher wages, hence improvement in the standard of living. Meanwhile, MNEs pay the highest wage to nationals of the host countries and the trickledown effects of this accelerate the development of the regions. Moreover, Thomson (2009) also asserted that "FDI is also capable of enhancing the level of competition in an economy and bring in ideas; innovations, expertise and other forms of technology, which host economy could not necessarily have created on its own".

According to Rivera-Batiz (2014), FDI also weakens the domestic industries by stifling them. He further argues that "foreign firms tend to over flood the host countries through dumping and stifling domestic production of similar products or items. The Nigerian economy has been suffocated with different kinds of importation that includes, cheap cloth fabrics, common food items, toothpicks and even children toys. Similarly, Rivera-Batiz (2014) maintained that "multinational enterprises engage in predatory practices, formal or informal collusion and political lobbying to reduce domestic competition, allowing them to capture monopoly or oligopoly rents". In supporting this, it is worthy of note that in Nigeria, multinational enterprises like Siemens and Halliburton including the construction giant Julius Berger are known to have offered inducement to those at the corridors of power in order to get government patronage in pursuit of their investment drive.

2.1.2 Concept of Budget Deficit

Budget deficit refers to a situation where the total expenditure of government exceeds total revenue. It is a financial situation that occurs when an entity has more money going out than coming in. The term is most used to refer to government spending rather than business or individual spending. Today and even the past, budget deficit policy is famous instrument of fiscal policy used to increase the rate of economic growth of the country (Stevan, 2010). The term usually refers to a conscious attempt to stimulate the economy by lowering tax rate or increasing government expenditure. Imobighe (2012) see budget deficit as a situation in which the federal government's excess fund of outlays over receipt of revenue for a given period is financed by borrowed funds from the public. Budget deficit as a way of financing was established after the two world wars, oil crises and current financial and economic crises. There are three ways to finance the deficit – taxes, borrowing and monetization (inflation tax). The most popular model of deficit finance is borrowing which is usually done by issuing of government bonds (Stevan, 2010).

The idea of budget deficit has its root in fiscal policy. To understand budget deficit, one must understand fiscal policy which is a major instrument of macroeconomic stability. Attempts by economists to explain fiscal policy impact on macroeconomic management began with the Classical and Keynesian schools of

thought, as the former underscores the invisible hand that regulate the markets, and that government needs to tamper with the economy; the latter recognizes the need for government intervention to correct the potential instability in the economy which the market system is incapable of adjusting. They thus, advocate for the use of fiscal policy by government through budget deficit to tackle economic depressions (Okoye and Akenbor, 2010. Therefore, Gbosi (2012) described fiscal policy as those steps taken by government to influence macroeconomic activities through the management (manipulation) of government budget. The various reasons for budget deficit are categorized as political considerations, economic issues and social factors (Gbosi, 2012). As politics generally cannot be separated from economics in both developed and developing nations today, political considerations now outweigh economic considerations in most government decisions. For instance, the aims of policy makers and political leaders to meet the needs of the citizens as well as delivering dividends of democracy have often driven up expenditure. And in the long run, this will result in deficits as the case in Nigeria in the recent times. Budget deficit however, may also result from government inefficiency, reflecting widespread tax evasion or wasteful spending rather than the operation of a planned countercyclical policy.

The profile of the Nigerian budget deficits seems to have reached a level of serious concern to many and scholars in particular. The Nigerian government has been running huge deficits since the civil war years. The deficits as percentage of GDP have continued to be on the increase and one immediate result is the escalating public debt. Budget deficits have a disastrous effect on monetary policy. Both theory and empirical research have provided evidence to show that large budget deficits increase real interest rate, lower investment and thereby slow down productivity growth and decrease income (Imobighe, 2012). This is premised on the fact that even at borrowing, the larger part of the borrowed funds are often used to procure capital equipment in foreign currencies which constitutes addition to foreign debt.

2.2 Empirical Review

Uwubanmwen and Ogiemudia (2016) examined the effect of Foreign Direct Investment on economic growth in Nigeria using annual time series data covering the period 1979 to 2013. The data were modelling using Error Correction Model. The results reveal that FDI has both immediate and time lag effect on Nigeria economy in the short run but has a non-significant negative effect on the Nigeria economy in the long run. Muntah, Khan, Haider and Ahmad (2015) studied the impact of Foreign Direct Investment on economic growth of Pakistan covering the period 1995 to 2011. The data were sourced from World Bank, Economy of Pakistan Books, Index Monde and Economic Survey of Pakistan. Regression analysis was used in the study. They found that FDI impacts positively on economic growth of Pakistan. Agrawal (2015) assessed the relationship between Foreign Direct Investment and economic growth in the five BRICS economies, namely, Brazil, Russia, India, China and South Africa over the period 1989 – 2012. Cointegration and Causality analysis were applied. The results indicate that Foreign Direct Investment and economic growth are cointegrated at the panel level, indicating the presence of long run equilibrium relationship between them. Results from causality tests indicate that there is long run causality running from Foreign Direct Investment to economic growth in these economies.

Koojaroenprasit (2012) explored the impact of Foreign Direct Investment on economic growth of South Korea using secondary data for the period 1980–2009. Multiple regression analysis was employed in the study. This study found that there is a strong and positive impact of FDI on South Korean economic growth. Furthermore, the study indicated that human capital, employment and export also have positive and significant impact, while domestic investment has no significant impact on South Korean economic growth. He argued that the interaction effects of FDI- human capital and FDI-export indicated that the transfer of high technology and knowledge has an adverse impact on South Korean economic growth. Jyun-Yi and Hsu (2008) analysed the effect of FDI on economic growth for 62 countries over the period 1975-2000. It was found that FDI did not accelerate growth in all sampled countries. The authors used the Regression Analysis method approach for panel data estimations. Moreover, using the GMM method (controlling for endogeneity and nonspherical errors),

it was found that FDI did not have any positive effect on growth. The results of the threshold regression controlled for the amount of GDP, initial human capital, some social and institutional parameters do represent positive influence of FDI on economic growth. It was stated that recipient countries can learn and as a result benefit from foreign investors. Solomon and Eka (2013) investigated the empirical relationship between Foreign Direct Investment and economic growth in Nigeria. The work covered a period of 1981-2009 using an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The result of the OLS techniques indicated that FDI has a positive but has insignificant impact on Nigerian economic growth for the period under study.

Adam (2010) examined the relation between budget deficits and growth for a panel of 45 developing countries. The data were modelling using Error Correction Model. The results reveal that a possible non-linearity in the relation between growth and the budget deficit for a sample of developing countries. Nelson and Singh (2012) used data on a cross section of 70 developing countries during two time periods, 1970-1979 and 1980-1989, to investigate the effect of budget deficits on GDP growth rates. Regression analysis was used in the study. This study concludes that the budget deficit had little or no significant effect on the economic growth of these nations in the 1970s and 1980s. Nelson (2012) modelling the relationship between budget deficit, macroeconomic uncertainty and growth of Argentina for the period 1975-2006. Regression analysis was used in the study and concluded that the deficit hampered on per-capita income growth in Argentina through the volatility in relative prices. Taylor (2012) examined the interactions between the 'primary' budget deficit, economic growth and debt for the period 1961-20 of USA. It found a strong positive effect on growth of a higher primary deficit, even when possible increases in the interest rate are taken into account. Abell (2010) studied the relationship between budget deficits and macroeconomic performance of US using Vector Autoregressive Model (VAR) for the period 1980–2010. He found no evidence that larger government deficits increase prices, spending, interest rates, or the money stock. Karras (2012) studied the relationship between budget deficits and macroeconomic variables in a cross sectional study involving 32 countries for the period 1950–1980, using OLS and GLS. He found out that deficits do not lead to inflation, they are negatively correlated with the rate of growth of real output and increased deficits appear to retard investment.

2.3 Theoretical Framework

2.3.1 The Keynesian Theory

According to Salen (2003) as stated by Yellen (2012), this group of economists proposed a positive relationship between budget deficit and macroeconomic aggregates. They maintained that budget deficits results to an increase in the domestic production, increases aggregate demand, increases savings and private investment at any given level of interest rate. The main argument against the Keynesian theory suggests that an increase in the budget deficits would induce domestic captivation and thus, import expansion, causing current account deficit. In the mundell-Fleming framework, an increase in the budget deficit would induce an upward pressure on interest rate, causing capital inflows and an appreciation of the exchange rate. That will increase the current account balance.

The Keynesian school of thought differs from the standard neoclassical paradigm in two ways; first, the Keynesian school permits that the possibility that some economic resources are unemployed, secondly, they presuppose that existence of large number of liquidity constrained individuals. This assumption guarantees that aggregate consumption is very sensitive to changes in disposable income. Many traditional Keynesians maintained that deficits need not crowd-out private investment. Eisner (1989) reported in Yellen (2012) argued that increased aggregate demand enhances profitability of private investments and leads to higher level of investment at any given rate of interest. Therefore, deficits may stimulate aggregate savings and investment despite the fact that they raise interest rates. He concludes that evidence abounds that deficits have not crowded- out investment; instead there is a crowd-in.

3. METHODOLOGY

The research design used for this work was the expo facto research design. The research design will evaluateeffect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria. This study shall cover the period of 1990 to 2017; a sample size of 27 years is long enough for time series analysis. The data for this study are secondary in nature. They shall be obtained from the Central Bank Nigeria Statistical Bulletin 2017 publication. The approach used in this research is basically on secondary source. The use of secondary method was chosen for this study because it is considered to be the most appropriate method for needed information at the least amount of time. In this research work, secondary method is used for the collection of data.
In formulating an econometric model for the budget deficit on money supply and on inflation, a theoretical model put forth by (Adam and Bankole, 2012) explains the impact of budget deficit in the developing countries. From the theoretical review in the previous chapter, it is observed that there existed a causal link between Budget Deficit and Economic Growth. The model is to verify effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria. The approach is to modify the model, by specifying a multiple regression analysis techniques, made up of (Gross Domestic Product) as a function of the independent variables (Foreign Direct Investment andBudget Deficit). Also, it is obvious that (Foreign Direct Investment and Budget Deficit) will influence (Gross Domestic Product).

The model is specified as:

$$Ygdp = b_0 + b_1 fdi + b_2 bd + ei \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 1$$

$$b1>0,\ b2<0,$$

Where:

gdp= Gross Domestic Product in Nigeria.
Fdi = Foreign Direct Investment
bd = Budget Deficit
ei = Error Term.

B_0 is to take care of the constant variable; b_1 is the coefficient of fdi (Foreign Direct Investment inflow) which is expected to be greater than Zero because it is positively related to Gross Domestic Product. B_2 is the coefficient of bd (Budget Deficit) which is expected to be less than Zero because it is negatively related to Gross Domestic Product.

Ordinary Least Square (OLS) regression technique was used and it is useful for estimation, Gross Domestic Product which is the dependent variable will be regressed on the explanatory variables in the equation which includes: Foreign Direct Investment and Budget Deficit. Some statistical and econometric test will be used to evaluate the regression, these include, Multiple R, which is the correlation coefficient and it, measures the extent of relationship between variables, R – squares, which is the coefficient of determination measures the percentage (proportion) of variation in the dependent variable that can attribute to the independent variables. The F statistics, The Beta coefficient (measures the relative significance of each of the independent variable), "t" statistics and Durbin Watson test (test for auto correlation of errors in the regression equation).

4. RESULT AND DISCUSSION

In econometric analysis attempt is usually made in discovering and establishing existing relationship between the different economic variables involved in the analysis.To this effect the chapter would serve as an attempt to evaluate effect of Budget Deficit and Foreign Direct Investment on Economic Growth in Nigeria (1990 – 2017).

This should be done by checking the type of relationship that exists between the dependent variable: Gross Domestic Product (GDP) and the independent variables: Foreign Direct Investment (Inflow) and

Budget Deficit. This shall be done through the use of regression analysis. The computational device is SPSS software programme.

4.1 Data Presentation

Table 1: Raw Data for Analysis

Year	Budget Deficit	GDP	FDI
1990.0	1.93	499.68	10450.2
1991.0	-7.41	596.04	5610.2
1992.0	0.23	909.8	11730.7
1993.0	-53.23	1259.07	42624.9
1994.0	0.65	1762.81	7825.5
1995.0	122.14	2895.2	55999.3
1996.0	244.98	3779.13	5672.9
1997.0	264.65	4111.64	10004.0
1998.0	175.63	4588.99	32434.5
1999.0	212.92	5307.36	4035.5
2000.0	135.67	6897.48	16453.6
2001.0	217.65	8134.14	4937.0
2002.0	19.98	11332.25	8988.5
2003.0	38.96	13301.56	13531.2
2004.0	220.9	17321.3	20064.4
2005.0	437.0	22269.98	26083.7
2006.0	546.4	28662.47	41734.0
2007.0	744.39	32995.38	54252.2
2008.0	1076.08	39157.88	37977.7
2009.0	515.01	44285.56	56297.3
2010.0	-20.2	54612.26	65130.4
2011.0	239.03	62980.4	72428.4
2012.0	304.45	71713.94	80822.5
2013.0	342.77	80092.56	90526.8
2014.0	324.78	89043.62	93411.3
2015.0	-400.92	94144.96	94218.4
2016.0	-975.39	101489.49	96255.3
2017.0	-1932.66	113711.63	98292.2
2018.0	-1920.52	125695.20	99540.3

Source: Central Bank of Nigeria (CBN) Statistical Bulletin, 2018

4.3 Data Analysis and Interpretation of Results

Table 2: Regression Analysis Result

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Foreign Direct Investment, Budget Deficit[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Gross Domestic Product

Table : 3 *Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.933[a]	.870	.860	13501.01583	1.973

a. Predictors: (Constant), Foreign Direct Investment, Budget Deficit

b. Dependent Variable: Gross Domestic Product

The R-Square is 0.933, which suggests a strong positive relationship between the dependent variable that is: Gross Domestic Product and the independent variables Foreign Direct Investment (Inflow) and Budget Deficit. The adjusted R^2 of 0.860 suggests that 86% of the total change in Gross Domestic Product can be attributed to the Independent variables.

Table: 4 ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.060E10	2	1.530E10	83.936	.000[a]
	Residual	4.557E9	25	1.823E8		
	Total	3.516E10	27			

a. Predictors: (Constant), Foreign Direct Investment, Budget Deficit

b. Dependent Variable: Gross Domestic Product

The F – statistics shows that the equation or model employed is statistically significant at a value of 83.936 with p value (significant F = 0.000) which means that the relationship between Gross Domestic Product and the independent Variables Foreign Direct Investment Inflow and Budget Deficit is statistically significant (sig f< 0.0500 is statistically significant) The judgment and estimation is based on the independent variable as well as the appropriate expectation and the ratio will be taken into consideration. Budget Deficit is found to be negatively related to Gross domestic product at a t-ratio of -1.790 and it has a negative impact on Gross Domestic product in Nigeria, Having the value of its coefficient as -9.253.

Table: 5 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5337.404	4435.059		-1.203	.240
	Budget Deficit	-9.253	5.168	-.137	-1.790	.085
	Foreign Direct Investment	.944	.083	.877	11.426	.000

a. Dependent Variable: Gross Domestic Product

Foreign Direct Investment is found to be positively and significantly related to Gross Domestic Product at a t– ratio of 11.426and it has a positive impact on the Gross Domestic product in Nigeria, Having the value of its coefficient as 0.944. A Unit Increase in Foreign Direct Investment inflow will Cause a 0.944increase in Gross Domestic product in Nigeria. A Unit Increase in Budget Deficit will Cause a 9.253 decrease in Gross Domestic Product in Nigeria
Based on the hypothesis of the study: Ho: "Foreign Direct Investment does not make positive impact on Economic Growth in Nigeria" and "Budget Deficit does not make positive impact on Economic Growth in Nigeria" are REJECTED. WHILE: Hi: "Foreign Direct Investment does make positive impact on Economic Growth in Nigeria" and "Budget Deficit does make positive impact on Economic Growth in Nigeria" are REJECTED

5. CONCLUSION AND RECOMMENDATIONS

In conclusion, the empirical results show that there is positive relationship between economic growth (GDP) and FDI. The result was positive but statistically insignificant contrary to some findings. This insignificant relationship could be as a result of insufficient FDI fund invested into the Nigerian economy which has not been able to significantly impact on the economic growth. The result of our study also portrays that domestic investment was also responsible for the growth witnessed in Nigeria's economy over the period under review. This provides an understanding that domestic investment is a major factor that contributes to the growth of the Nigerian economy. And so, more emphasis should be geared towards encouraging domestic investment to drive the economy to the desired level of growth. Foreign direct investment poses the lesser risk than external debt for the borrowing country, although the latter promises higher return. Indeed, foreign direct investment has the advantage that it does not add to a country's contractual debt service obligations. If an investment financed by external borrowing turns out badly, the country faces the same external claim as if the investment had turned out well. But if the FDI proves unprofitable, the recipient country shares the loss with the investor. In the same way, if the investment financed by FDI is successful, the country will have to share some of that good fortune with the foreign investor.Foreign direct investment may be geared towards export, market development, or undertaken at the initiative of the host country government. These considerations give rise to export-oriented investment, market-development investment and government-initiated investment. With the up and down movement of Gross Domestic Product (GDP), Nigeria needs improve on Gross Domestic Product (GDP) in order to maintain high levels of income and employment.

Based on the findings of this study which show that, there was causal relationship between budget deficit and Foreign Direct Investment in Nigeria, government should display a high sense of transparency in the fiscal operations to bring about realistic fiscal deficits.

(i) Fiscal deficits, where recorded, should be channeled to productive investments like road construction, electricity provision and so on, that would serve as incentives to productivity through the attraction of foreign direct investments, in other to reduce the incidence of Foreign Direct Investment in Nigeria.
(ii) The implication of these findings was that both budget deficit and Foreign Direct Investment could be caused by money supply meaning that they were both monetary phenomenon. Foreign Direct Investment was also found to be dependent on performance of the budget (deficit).
(iii) The increase in money supply could as well help to cushion the extent of budget deficit in an economy, whereas, the same increase in money supply might still lead to an increase in the rate of Foreign Direct Investment.
(iv) Adequate monetary policy should be geared towards balancing the role money supply performs to both budget deficit and Foreign Direct Investment, noting that there was uni-directional relationship between budget deficit and Foreign Direct Investment.

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