Comparative Analysis of the Impact of Foreign Direct Investment on Economic Growth in Nigeria and Ghana (2006-2016)

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Abstract
This study analyzed the impact of foreign direct investment on economic growth in Nigeria and Ghana within the period 2008 - 2016. Specifically, the study examined the connection between foreign direct investment and economic growth; assessed the impact of foreign direct investment on economic growth and determined the difference between FDI and economic growth in Nigeria and Ghana. The ex-post facto research design was used; secondary data was collated from the World Bank reports and publications of the Central Bank of Nigeria. Gross Domestic Product represented the dependent variable in the study's model while FDI_{INFLOW}, $FDI\_{OUTFLOW}$, and trade openness (TO) were proxies representing FDI. Ordinary Lease Square Regressions was employed in analyzing data collated in the study. Discoveries from the study revealed that foreign direct investment through FDI_{INFLOW}, $FDI_{OUTFLOW}$, and trade openness has a significant impact on economic growth; the study also discovered that the economy of Ghana has much more foreign direct investment outflow than Nigeria with specific coefficient of 29.82688 and and 10.16253 million USD for Ghana and Nigeria respectively; Nigeria's economy appeared to possess a higher foreign direct investment inflow than Ghana with its returns being 65.73868 million USD and that of Ghana 3.745628 million USD; lastly, results also showed that Nigeria outshined Ghana in the return of its trade openness. Premise on these findings, the study advocates that the government of Nigeria should make noted to quoted firms in the country, the need to engage in portfolio investments abroad and also maintain its output level in Nigeria; government of Ghana should engage and empower its citizens in making good use of its natural resources and government of Nigeria and Ghana should make standard its environment making available basic infrastructural facilities

Keywords: *Foreign Direct Investment, Economic Growth, Trade Openness*

1.0 INTRODUCTION

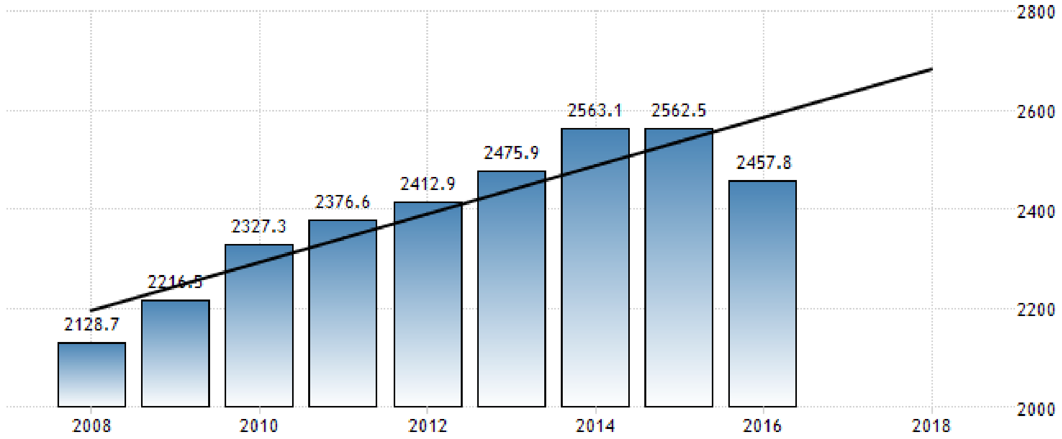
The economic progress of countries to a reasonable extent depends on the opportunity of making profitable investments and accumulating capital. Accessing foreign capital and investment permits a country to invest in both physical and human capital and to use certain opportunities for its advantage (Aryeetey, Busse, Loehr and Osei, 2014). Recent experiences with opening capital accounts in emerging and developing economies have proved to be completely favorable as it is becoming increasingly clear that not all types of capital imports are equally desirable. Short-term credits and portfolio investments run the risk of sudden reversal if a change exists in the economic environment or changes in the perception of investors giving rise to economic and financial challenges. It is therefore frequently advocated that such countries should choose primarily invest in foreign direct investment (FDI) and be careful about considering other sources of finance as foreign investments are much resilient to crises (Prasad, Eswar, Kenneth Rogoff, Shang-Jin Wei & Ayhan Kose, 2003).

Africa has witnessed an upswing in GDP in the past decade. Its average annual growth rate of real output increased from 1.8% between 1980 and 1989, to 2.6% between 1990 and 2000, and to 5.3% between 2000 and 2010. In Nigeria, the average GDP growth rate of 3.95% achieved in 1970 and 2008 evinces a low growth rate of 1.49% in terms of per capita income (Umoh, Jacob & Chukwu, 2012). Over the years, Nigerian economy has not recorded a reasonable growth, its growth rate of per capita income is completely bad, this is coupled with its growth rate being hovered year in year out. Per capita GDP in 2006 ($847.5) is almost the same as it was in 1980 ($840.5) (Asogwa & Emelda, 2016).

The growth rate per capita GDP in Ghana reports the same decline. Although the growth rate of GDP in Ghana is quite impressive when this is exchanged for inflation and population growth, it illustrates a poor growth in the economy (Asogwa, Emelda & Onyeka, 2016).

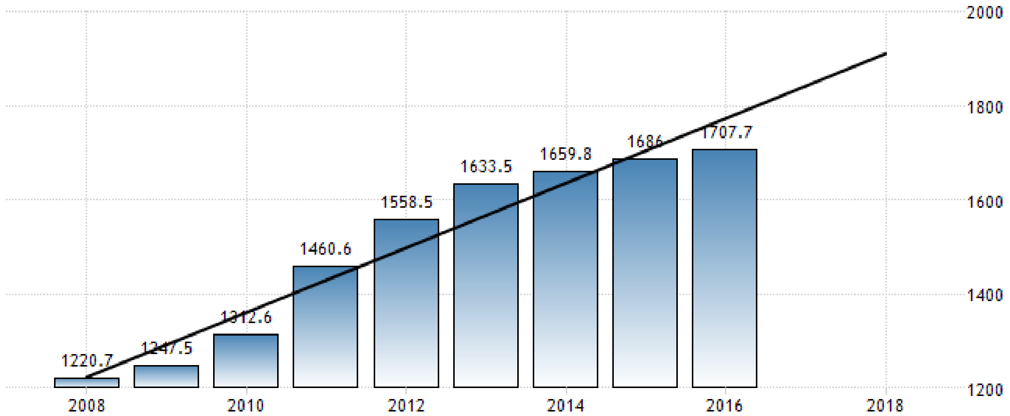
Figure 1 and 2 depicts the trend of growth of GDP per capita for Nigeria and Ghana for a stretch of ten years 2008-2018.

Fig. 1 Nigeria GDP per capita



Source: WorldBank

Fig. 2. Ghana GDP per capita



Source: WorldBank

No doubt the picture in the graph has not revealed an impressive growth in the countries. But despite the economic, social, financial and political change often experienced by the sectors of these countries, their economies have strived to maintain its state.

The underdeveloped nature of the above economies that has practically impeded the growth of their economies necessitates the need for foreign direct investment into these countries. Foreign direct investment has been seen as an investment made so as to take possession of a certain management interest that will exist for a long time in an enterprise operating in another country different from the investors' country (Mwillima, 2003; World Bank, 2007). Foreign Direct investment has formed the most significant part of economic development policies in countries all over the world. The investment fills the capital shortage gap and complements domestic investment particularly when the yield of this investment is unfavorable (Noorzoy, 1979).

There has been an impressive increase in the flows of FDI across countries over two decades ago, this guarantees globalization amongst countries of the world and proffers unusual opportunities to achieve a reasonable growth through trade and investment in any economy. In the 1970s, international trade was on-trend, and it grew rapidly than FDI, and by virtue of its significance, it was to a large extent more important than other economic activities. However, in the 1980s there was a trend away from international trade when world FDI started to increase swiftly. This change geared an increase in the world FDI significance by transferring technologies and creating marketing and procuring networks for efficient production and sales internationally through FDI. Foreign investors were not left out of the benefits of this investment as they continue to utilize their assets and resources prudently (Iya & Aminu, 2015). World developing reports (2010) revealed that global FDI flows increased by 25% during 1991-2009, developing countries as a group show an FDI increase of 22% at constant prices while FDI flows to poor countries increased to almost 5% of GDP.

Economic growth is simply the progressive change in the socio-economic arrangement of a nation which includes increased output and taxable basis as well as wealth creation n (Adam Smith Institute, 2006). This indicates that a legal and institutional structure exists to give incentives for innovations, investment, efficient output as well as a good distribution system for goods and services. Thus, public policy generally aims at continuous and sustained economic development and expansion of national economies through FDI so that a developing society could evolve into a developed one.

Nigeria and Ghana outflows and inflows have grown rapidly; this is evident in their positions in the ranking of inward FDI stock by host country where Nigeria was seen at the 2nd position and Ghana the 8th position, this implied that Nigeria and Ghana are among the top-ten FDI destination in Africa (UNCTAD World Investment Report, 2014). Despite these remarkable positions, the economic growth (growth rate of real GDP per capita) of these countries is disheartening.

Research Questions

The premise of the problem, this study poses these questions as fundamental the impact of FDI on economic growth.

i. What is the connection between foreign direct investment and economic growth?
ii. What is the impact of trade openness on economic growth?
iii. What is the significant difference between the impact of FDI on GDP of Ghana and Nigeria?

Research Objectives

The main thrust of this study is to analyze the impact of foreign direct investment on economic growth in Nigeria and Ghana within the period 2008 - 2016. This paper will particularly:

i. examine the connection between foreign direct investment and economic growth.
ii. assess the impact of foreign direct investment on economic growth.
iii. determine the difference between FDI and economic growth in Nigeria and Ghana.

LITERATURE REVIEW

The concept of Foreign Direct Investment

Foreign direct investment is the investment made by a company outside its own country (Caves, 1996). These investments are of two types; it can be portfolio investment where the investing company buys some non-controlling portion of the stock, bond or any other form of security, it can as well be a direct investment where the investing company participates in the management and control of the business venture. This type of investment is the most sort by multinational companies, and it exerts a greater impact on the economic growth than the portfolio investment (Conteh, 2014).

Internationalized output arises from foreign direct investment; this investment includes some level of control of the acquired or established business firm located in another country that differs from the investors' country. The participation of the investing company in the management and control of its investment shows the distinction between FDI and portfolio investment (Lipsey, 1999).

The fifth edition of the Balance of Payment Manual defined FDI as the investment made to gain possession of lasting interest in an enterprise operating outside the domicile of the investor. It further expounds that the investor's aim is to gain an effective voice in the management of the enterprise. The minimum portion an investor must have is 10%, based on this is the percentage of the investment is not up to 10%, then it is not considered as FDI.

Types of Foreign Direct Investment

The two main types of FDI are horizontal FDI and vertical FDI. Horizontal FDI occurs when a firm duplicates his home country based activities at the same value chain stage in the host country through FDI. For instance, Dangote produces cement in Nigeria. through horizontal FDI, it does the same business activity in different host countries such as Ghana, Zimbabwe, Togo, Ivory Coast, Burkina Faso, and Guinea. Therefore, horizontal FDI refers to the production of a particular product or offering the same services in a host country and the firm's domicile country. Vertical FDI, on the other hand, arises when a multinational firm locates its production processing companies internationally, thereby locating each stage of its production in different countries where it can be done at a reasonable cost (Conteh, 2014).

Despite the difference in the purposes of the horizontal and vertical FDI, much more of FDI appears to be horizontal than vertical. Firms adopting the horizontal FDI tend to establish several plants in different countries which will aid the duplication of its product and services in multiple counties. This connotes that firms choice of adopting the horizontal FDI is primarily because it takes charge of the market and subsequent market share expansion as opposed to the reduction of cost in the production process. The primary objectives of these FDI patterns are particularly to serve the market of the host countries abroad its products - horizontal FDI, and to serve the market of the home country - vertical FDI (Conteh, 2014) effectively.

Forms of Foreign Direct Investment

Foreign Direct Investment takes the following:

- low corporate tax and individual income tax rates
- tax holidays
- other types of tax concessions
- preferential tariffs
- special economic zones
- Export Processing Zones (EPZ)
- Bonded warehouses
- investment financial subsidies
- soft loan or loan guarantees
- free land or land subsidies
- relocation & expatriation
- infrastructure subsidies
- R & D support
- derogation from regulations (usually for very large projects)

Governmental Investment Promotion Agencies (IPAs) use several marketing strategies geared by the private sector to attract FDI input including marketing diaspora (Conteh, 2014).

Foreign Direct Investment in Africa

Foreign direct investment plays a significant role in increasing economic growth in developed and developing countries around the globe. Transfer of advanced technology to host countries is also enhanced by this investment and stimulating competitions at the local markets and ensuring the use of available resources and even make speedy their integration into international markets.

FDI Inflow

FDI has over the years been an indispensable source of economic growth especially amongst countries in Africa. Despite this fact, countries from other regions of the world achieve much more growth with FDI. Annually, the region's share of global FDI inflows was 1.8 percent in the period 1986-90 and 0.8 percent in the period 1999-2000 (Ajayi, 2006). A little improvement was achieved in 2001 when inflows to the region rose from USD9 billion in 2000 to USD19 billion in 2001, increasing the region's share of global FDI by 0.5 percent. Several Declines in FDI inflow has been recorded, FDI inflows to the region fell by 40 percent in 2002 but grew by 28 percent in 2003. The presence of rich and useful natural resources attracts inflows into countries in Africa and affects its outflows, despite this, the FDI inflow index in Africa is questionable (0.4 between 1998 and 2000 against 1.2 for South America and 0.6 for Asia) (Conteh, 2014).

FDI Outflow

Most investment in Africa comes from countries from other continents specifically from US, EU, and Asia. This is evident from the total FDI inward stocks in 2002 which were estimated at USD167 billion, while total African outflow investment was only USD40 billion. This implies that FDI outflows from Africa are totally minimal put at an average of USD2.2 billion a year from 1992 to 1999 and USD1.3 billion in 2003 which represents only 3.6 percent of total outflow investment from developing countries put at USD35.6 billion, and 0.2 percent of total world FDI outflow (Russ, 2008). Despite the poor FDI outflow faced in Africa, South African FDI outflow to EU stood at USD15million in 2002 which represented over 40% of the total FDI outflow in Africa.

Theoretical Framework

This paper adopts the eclectic paradigm theory also known as OLI-Model or OLI-Framework propounded by Dunning in 1993. This theory has formed the basis for analyzing how FDI is related to a host country. It posits that FDI is ascertained by the credits including location advantage retained by the domicile country in certain activities. These features will attract Trans-national Corporations (TNCs) whose activities rely on the use of these features. The investment could be either green or brownfield investments. The theory primarily underscores the fact that there are certain countries that are endowed with certain resources which attract FDI.

Criticisms of this theory were raised by Lilach Nachum and Cliff Wymbs. They asserted that the features needed by investing firm include size, innovations, length of operation among others, this will affect their evaluation and enhance their investments abroad. Therefore, the ability of firms to invest or take operations abroad does not stem from TNCs and do not exist in isolation from the characteristics of the investing firms. The base of this argument is that since firms possess different competencies, the assets they take control of and their strategic goals, the specific location has a different value for them.

Empirical Review

Evidence from Nigeria

Iya and Aminu (2015) investigate the impact of foreign direct investment and domestic investment on economic growth in Nigeria. Time series data were derived from various secondary sources and statement of accounts and Federal Office of Statistics (FOS) and Debt Management Office (DMO) publications and website, data extracted cover gross domestic product (GDP) and external debts between 1980-2013. Proxies used in the study's model are a foreign direct investment (FDI), domestic investment (DIN), total export (TEX), trade liberalization (TO) as functions of real Gross Domestic Product (RGDP). The study employed Ordinary Least Square (OLS) method, Augmented Dickey-Fuller (ADF) and Phillips Perron (PP) unit root test, Error Correction Method (ECM), Breusch-Godfrey serial correlation test, after which Breusch-Pagan-Godfrey test of heteroskedasticity in its analysis. Discoveries from the study revealed that foreign direct investment (FDI), domestic investment (DIN), total foreign exchange rate (TEX) and trade liberalization (TP) impacted positively on economic growth (RGDP) in Nigeria, the paper found a positive and significant relationship between economic growth, domestic investment and total foreign exchange rates in Nigeria and a positive and insignificant relationship between foreign direct investment and trade liberalization. Premise on the study's findings, it recommended that concerted effort be made by government and relevant authorities to formulate policies aim at creating a conducive investment environment so that Nigerians and non-Nigerian investors alike will be encouraged to increase their propensity to invest in the country; they should also take step to ensuring foreign exchange stability and improve trade liberalization (openness of the economy) so as to achieve meaningful economic growth.

Ugwuegbe, Okore, and John (2013) assessed the impact of foreign direct investment on the Nigerian economy covering a period of 1981-2009. A secondary annual data from the Central Bank of Nigeria statistical bulletin was used. Proxies used in the study are Gross Fixed Capital Formation (GFCF), Foreign Direct Investment (FDI), Exchange Rate (EXR), Interest Rate (INTR) as functions of Gross Domestic Product (GDP). The study employed the Ordinary Least Square of the data analysis. Results from the study held that FDI had a positive and insignificant impact on the growth of Nigerian economy for the period under study; GFCF which was used as a proxy for domestic investment had a positive and significant impact on economic growth; Interest rate was found to be positive and insignificant while exchange rate positively and significantly affects the growth of Nigeria economy. The study, therefore, the government should provide an enabling environment that will encourage foreign investors to invest in Nigeria economy by addressing the security challenges in the country, providing investment-friendly environment by the improved regulatory framework as well as encourage domestic investment.

Emmanuel (2016) examined the effect of the foreign direct investment on economic growth in Nigeria. The study covered the period 1981 to 2015 employing ex-post facto research design. Secondary data derived from the Central Bank of Nigeria statistical bulletin and publications of the National Bureau of Statistics. Foreign Direct Investments (FDI) and Exchange Rate (EXR) were used as functions for Gross Domestic Product (GDP). Multiple regression technique was used for analysis in the study. Discoveries revealed that foreign direct investment has a positive and significant effect on the gross domestic product, the study also found that exchange rate has a positive but not significant effect on the gross domestic product. The study based on its findings suggested that the government should improve the state of infrastructures in the country in order to encourage meaningful investments in the economy; the

Central Bank of Nigeria should come-up with policies that will help to stabilize the Naira exchange rate vis-à-vis the major currencies of the world, like the United States Dollar.

Maji and Odoba (2011) ascertained the impact of foreign direct investment on economic growth in Nigeria for the period of 1986-2006. Specifically, the study measured the causal relationship between foreign direct investment and economic growth in Nigeria. Proxies employed in the study are a foreign direct investment (FDI), total exports (TEXP) and gross fixed capital formation (GFCF) as they were seen to be influencing Gross Domestic Product (GDP in the study's model. The ordinary least squared method of econometric was adopted for the study's analysis. Results showed that foreign direct investment has a positive impact on the gross domestic product in Nigeria. It was recommended that there is the need to put in place concrete policies to engender a positive and competitive enabling environment that would attract more foreign investors and there must also be relentless wars against corruption and insecurity in order to give confidence to investors.

Uwazie, Igwemma, and Nnabu (2015) analyzed the causal relationship between foreign direct investment and economic growth in Nigeria for the periods of 1970-2013. Data for the following variables FDI, GDP, human capital expenditure and construction expenditure used in the study were obtained from the CBN Statistical Bulletin and International Energy Statistics. The study employed the vector error correction model method of causality in analyzing data collated for the study. Findings from the study affirmed that foreign direct investment and economic growth reinforce each other in the short run in Nigeria, the study's findings also reported that foreign direct investment Granger causes economic growth both in the short and long run in Nigeria. The study based on its findings advocated that the adoption of aggressive policy reform to boost investors' confidence and promotion of qualitative human capital development to lure FDI in the country; it also suggested the introduction of selective openness to allow only the inflow of FDI that have the capacity to spill over to the economy.

Oyatoye, Arogundade, Adebisi, and Oluwakayode (2011) examined the impact of foreign direct investment and economic growth in Nigeria. A secondary source of data was employed in the study from the publications of the Central Bank of Nigeria. The models used in this study are estimated using annual Nigeria data on Direct Foreign Investment (DFI) and some macroeconomic indicators including Gross Domestic Products (GDP) and Export (Exp) for the period 1987 - 2006. Regression analysis of Ordinary Least Square ((OLS) was used in analyzing the data. Discoveries from the study revealed that positive relationship between direct foreign investment and gross domestic product (GDP) exists; result further showed that one naira increase in the value of the direct foreign investment (DFI) would lead to an N104.749 increase in GDP. The study premise on its findings concludes that a positive relationship exists between GDP and DFI.

Ogbonna, Uwajumogu, Nwokoye, and Nzeribe (2012) investigated the impact of foreign direct investment and economic growth in Nigeria empirically. The study's FDI variables were: Gross Fixed Capital Formation (GFCF), Net Exports (NX), Exchange Rate (EXR) and consumer price index (CPI) as they are seen to influence income growth (Y_g) in the study's model. Secondary data sourced mainly from CBN publications were used in the OLS and Granger causality regression equations conducted for the period 1986 to 2010. Regression analysis of Ordinary Least Square (OLS) was employed in the study's analysis. Findings revealed that the relationship between these FDI and other variables impacts economic growth insignificantly. On the basis of these findings, the study recommended that more sectors of the economy be deregulated so as to encourage more investor participation in the productive sector of the economy.

Akiri, Vehe, and Ijuo (2016) empirically investigated the impact of foreign direct investment on the growth of the Nigerian economy over the periods of 1981-2014. Secondary data were sourced from the publications of the Central Bank of Nigeria and National Bureau of Statistics. The study captured the following variables of economic growth: foreign direct investment (FDI), government capital expenditure (GCE), exchange rate (EXR), interest rate (IR) and growth domestic product (GDP). Econometric analyses were employed in analyzing the influence of these variables on economic growth. The study found FDI exert a negative influence which the authors assumed may partly be as a result of high rate of abandoned government capital projects on which large sum of funds is committed to thereby inhibiting the expected contributions of these projects to the growth of the economy. The study, therefore, recommends that government should ensure stability in the economy in other to attract more foreign direct investment; governments should ensure continuity of policies that have positive impacts in the economy, hence to see that projects in progress are completed to curb the incessant cases of uncompleted or abandoned projects.

Adigwe, Ezeagba, and Udeh (2015) assessed the effect of the foreign direct investment on Nigerian economic growth using time series data spanning from 2008 to 2013 sourced from the Central Bank of Nigeria statistical bulletin. Pearson coefficient was adopted in analyzing the study's data. The findings revealed that there is a significant relationship between FDI, EXR, and GDP, indicates that economic growth in Nigeria is directly related to foreign direct investment and exchange rate. The paper thereby recommends among others that there is a need for government to be formulating investment policies that will be favorable to local investors in order to compete with the inflow of investment from foreign countries.

Asogwa and Osondu (2014) investigated the impact of foreign direct investment on economic growth in Nigeria. The study particularly, examined the direction of causality between FDI inflow into these sectors and economic growth, investigated the influence of business environment with the proxies political instability (PI), corruption (CRPINDX), institution/legal framework (LEGFRWK), and macroeconomic indicators such as inflation (INF), real interest rate (RINTR) and real exchange rate (RER) on the inflow of FDI. Quarterly data covering 1980-2004 was used in the study. The endogenous growth model was incorporated in the study with emphases on the impact of FDI inflow into agriculture, manufacturing and telecommunication sectors in Nigeria. The study's discoveries showed that FDI into manufacturing and telecommunication sector has a positive impact on economic growth in Nigeria while FDI into agricultural sector impacted on economic growth negatively; findings on Granger causality suggest that FDI into agriculture, manufacturing and telecommunication sector have a unidirectional relationship with economic growth in Nigeria. Institution or legal framework has a positive and significant influence on the inflow of FDI. Hence, the study advocated the need for a strong legal framework for property right protection could serve as an incentive to attract more foreign investors; and the need for a friendly business environment in Nigeria.

Evidence from Ghana

Sackey, Keyeke, and Nsoah (2012) assessed the effect of the foreign direct investment on economic growth in Ghana. The paper specifically tested the presence of the long run linear relationship between FDI inflows and Economic Growth (GDP) for Ghana. The study employed econometric models on time series data from the first quarter of 2001 to the fourth quarter of 2010. Results from the study revealed that a long run relationship exists between the variables and growth in Ghana. The premise of the findings of the study, it advocated that Ghana should continue to reform its economic and foreign policy to attract more investors who can help boost its economy.

Antwi and Zhao (2013) instigated the relationship between FDI and economic growth in Ghana for the period 1980-2010 using time series data sourced particularly from the World Banks World Development Indicators 2011 and from annual observations of natural log of Gross Domestic Product (GDP), natural log of Gross National Income (GNI) and natural log of foreign direct investment (FDI). The empirical methodology was adopted for the study as Johansen's multivariate cointegration test was applied on yearly data of FDI, GDP, and GNI to determine the extent to which these variables are related. Findings from the study established that long-run equilibrium and causal relationship exists between the dependent variable; FDI and the two independent variables considered in the study namely, GDP and GNI.

Evans, Frank, and Rebecca (2017) examined the effect of the foreign direct investment on economic growth in Ghana. A time series regression approach was employed in the study. The study involved specifically secondary sources of data consisting of yearly observations for real GDP growth and foreign direct investment net inflows as a percent of GDP (FDI ratio) and World Banks World Development Indicators database spanning from 1980 to 2012. Variables employed in the study included foreign direct investment (FDI), inflation and government consumption as they affect economic growth. The linear regression technique was applied using the yearly data to ascertain the effect of FDI on real GDP. The study findings revealed that FDI and other two control variables under consideration impact significantly on the economic development of Ghana; it was also discovered that the increasing trend of FDI inflows has also significantly increased the GDP of the country. The study suggested that the government should revisit the issue of local content requirement and also, Ghana should ensure a stable government by guaranteeing the sustainability of democratic rule devoid of unwarranted changes and the Government of Ghana should invest in the most critical parts of the economy to attract foreign direct investment.

Antwi, Mills, Atta Mills and Zhao (2013) investigated the impact of foreign direct investment on economic growth for the period 1980-2010 using time series data. Gross Domestic Product (GDP), Gross Domestic Product growth rate (GDPg), Gross National Income (GNI), Manufacturing Value Added (MVA), Inflation (INF), Gross Domestic Product per capita (GDPc) and Industry, Value Added (IVA) were modeled as the explanatory variables and foreign direct investment (FDI) as the dependent variable. Annual data compiled from the publication of the International Monetary Fund were analyzed using simple ordinary least square (OLS) regressions. Findings from the study revealed that the independent variables GDP, GDPg, GNI, MVA, GDPc, and TRA are all significant to explain FDI with their corresponding p-values of statistics being less than 5; they thus have an influence on FDI in Ghana. The study recommended that the government should impose the relevant policies like a joint venture in order to give opportunities to the domestic producers to become part and enjoy the profit together with foreign direct investors.

Nketsiah and Quaidoo (2017) examined the effect of the foreign direct investment on economic growth in Ghana. The study incorporated some selected macroeconomic variables including inflation, gross fixed capital formation, trade openness and government spending in Ghana for the period 1983 to 2012. Time series analysis was used as the study employed least squares in examining the possible effects of the investigated series. Discoveries from the study showed that the impact of foreign direct investment on economic growth in Ghana is significantly positive. The study, therefore, suggested that there should be economical as well as foreign policy reforms aimed at attracting more investors to boost the Ghanaian economy.

Immurana, Yensu, Ibrahim, and Adam (2015) empirically investigated the impact of foreign direct investment on economic growth empirically. The study modeled real gross domestic product (RGDP), gross fixed capital formation (GFCF), exchange rate (EXR), inflation (INF), service value additions (SERV) and trade openness (TRADE) as they affect economic growth (GDP). The study employed Johansen Cointegration technique in analyzing the annual time series data spanning from 1980-2013 collated from the World Development Indicators, International Financial Statistics, and African Development Indicator. Results from the study revealed FDI to have a significant positive impact on economic growth both in the long run and short run; it was also revealed that FDI inflows significantly improves real GDP hence economic growth while FDI, however, had no significant impact on the service sector. The study based on its findings advocated that hat government together with the trade ministry should deepen economic and trade relations with the rest of the world and government must be committed to ensuring conducive business environment and strengthen the democratic institution.

Amoah, Nyarko, and Asare (2015) investigated the causality and cointegrated impact of foreign direct investment, inflation and exchange rate on economic growth in Ghana. The study particularly examined both long-run relationships and direction of causality between the GDP and the macroeconomic variables. Secondary data was employed as time series was gleaned on inflation (CPI), real exchange, FDI and real GDP growth from Ghana from the Bank of Ghana and WDI, World Bank over the study period 1980 to 2013. The study found that exchange rate and foreign direct investments have a negative effect on GDP whiles Inflation (CPI) showed a positive effect on GDP, findings from the ganger casualty analysis indicates a unidirectional causality between GDP growth rate and exchange rate and bidirectional causality between Inflation rate and Exchange, and also between Inflation rate and GDP, whiles FDI does not Granger cause Inflation rate, exchange rate, GDP and vice versa in Ghana for the study period at 5%. The study recommended that government should invest in local industries to boost domestic production of tradable in the country.

Fosu, Bondzie, and Okyere (2014) analyzed the effect of the foreign direct investment on Ghana's economic growth. The study employed macroeconomic model specifically Vector Autoregressive (VAR) model. Structural shocks in an SVAR model were used to identify the contemporaneous and short-run relationships effects of these variables. The AB model restriction approach was used for the Identification and was compared to the Cholesky decomposition. Findings showed that there exists a contemporaneous short run positive effect of FDI inflows on GDP growth, but as the time horizon expands these effects tend to converge to the equilibrium, however FDI's deteriorate domestic investment.

3.0 RESEARCH METHOD

This study employed ex-post facto research design in conducting the research. Secondary data was collated from the World Bank reports and publications of the Central Bank of Nigeria.

Specified model for this study is presented as follows:

$$GDP = f\,(FDI_{INFLOW},\ FDI_{OUTFLOW},\ TO) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

Where:

GDP	= Gross Domestic Product
FDI_{INFLOW}	= Foreign Direct Investment Inflow
$FDI_{OUTFLOW}$	= Foreign Direct Investment Outflow
TO	= Trade Openness

For equation (1) to be amenable to analytical computation, we present it in a linear functional form as follows:

$$GDP = \beta_0 + \beta_1\, FDI_{INFLOW} + \beta_2\, FDI_{OUTFLOW} + \beta_3 TO + Ut \ldots\ldots\ldots\ldots\ldots \quad (2)$$

Where:
B_0 = Constant,
B_1 = β5 are the parameters to be estimated
U_t = Random error term

Gross Domestic Product represents the dependent variable, and an indicator of economic growth, foreign direct investment inflow, foreign direct investment outflow and trade openness exists in this model as the independent variables. Ordinary Least Square Regressions was employed in analyzing data collated in the study.

4.0 RESULTS AND DISCUSSION

Regression Analysis

Table 1: Regression Estimation Result for Ghana

Dependent Variable: Gross Domestic Product

Variable	Coefficient	Std Error	t-statistics	Prob.
C	7130.001	9307.551	0.766045	0.4864
FDI_{INFLOW}	3.745628	2.301679	1.627346	0.1790
$FDI\_{OUTFLOW}$	29.82688	18.70379	1.594697	0.1860
TO	8569.580	10047.33	0.852921	0.4418
R-Squared=0.732239				
Adjusted R-Square=0.531419				
F-statistics=3.646238				
Prob(F-statistics)=0.021754				

The result of the regression estimation presented in table 1 revealed coefficient estimates of 7130.001, 3.745628, 29.82688, 8569.580 alongside probability values 0.4864, 0.1790, 0.1860, 0.4418 for FDI inflow, FDI outflow, trade openness respectively. In specific terms, the result showed that gross domestic product would increase by about 3.745628 million for every increase in FDI inflow. The increase in gross domestic product for every increase in FDI outflow stood at 29.82688 million while the increase in trade openness will trigger about 8569.580 million increase in gross domestic product for every increase unit increase in their values respectively. Corresponding probability values presented in table 1 showed that FDI inflow, FDI outflow, and trade openness are significant. R-square statistics reported in table 1 stood at 0.732239 which implies that about 73.2% of the systematic variation in the gross domestic product can be explained by the joint variation of FDI inflow, FDI outflow and trade openness. F-statistics and probability values reported in table 1 reflect that the model is a good fit, with the probability value of the reported statistics less than 0.05.

Table 2: Regression Estimation Result for Ghana

Dependent Variable: Gross Domestic Product

Variable	Coefficient	Std Error	t-statistics	Prob.
C	660362.7	176386.8	3.743834	0.1201
FDI_{INFLOW}	65.73868	36.62275	1.795023	0.1471
$FDI\_{OUTFLOW}$	10.16253	92.51773	0.109844	0.9178
TO	1613673.	475732.4	-3.391976	0.1275
R-Squared=0.867277				
Adjusted R-Square=0.767734				
F-statistics=8.712634				

Prob(F-statistics)=0.031529

The result of the regression estimation presented in table 2 revealed coefficient estimates of 660362.7, 176386.8, 3.743834, 0.1201 alongside probability values 0.1201, 0.1471, 0.9178, 0.1275 for FDI inflow, FDI outflow, trade openness respectively. In specific terms, the result showed that gross domestic product would increase by about 65.73868 million for every increase in FDI inflow. The increase in gross domestic product for every increase in FDI outflow stood at 10.16253 million while the increase in trade openness will trigger about 1613673 million increase in gross domestic product for every increase unit increase in their values respectively. Corresponding probability values presented in table 2 showed that FDI inflow, FDI outflow, and trade openness are significant. R-square statistics reported in table 2 stood at 0.867277 which implies that about 86.7% of the systematic variation in the gross domestic product can be explained by the joint variation of FDI inflow, FDI outflow and trade openness. F-statistics and probability values reported in table 2 reflect that the model is a good fit, with the probability value of the reported statistics less than 0.05.

5.0 Conclusion and Recommendations

Overview of the result of the study showed that foreign direct investment through FDI inflow, FDI outflow, and trade openness has a significant impact on economic growth. Most importantly, the study discovered the economy of Ghana has much more foreign direct investment outflow than Nigeria; Nigeria's economy appeared to be greater than that of Ghana in its foreign direct investment inflow; lastly, Nigeria outshined Ghana in the return of its trade openness. The premise of these, the study, therefore, concludes that Nigeria's economy employs its resources and engages greatly in foreign direct investment, this is seen in the significance of its trade openness. Most importantly the study established that a less involvement in foreign direct investment in terms of its inflow and outflow tends to decline economic growth in Nigeria, and Ghana measured in terms Gross Domestic Product, while trade openness leading to increases in GDP and/or improvement in GDP will engender the desired growth in the economies of both countries. Thus the study underscored the importance of foreign direct investment in improving economic growth in Nigeria and Ghana.

Based on the discoveries made in the study, the following recommendations are put forward:

(i) The government of Nigeria should make noted to quoted firms in the country, the need to engage in portfolio investments abroad and also maintain its output level in Nigeria; this will in double-quick time increase the growth of its economy.
(ii) The government of Ghana should engage and empower its citizens in making good use of its natural resources. On the long run, industries will stem from this policy.
(iii) The government of Nigeria and Ghana should make standard its environment making available basic infrastructural facilities; this will attract foreign investments and make ease the countries investment abroad.

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