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Nigeria's Investment Environment: Issues of Economic Growth and Development

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In this study, the researchers examine the Nigerian investment environment and assess its contributions or otherwise to the economic growth and development of the country. The study adopted ex post facto and secondary data research designs, using time series data obtained from various editions of CBN Statistical Bulletins. Some environment-specific factors such as the growth rate of RGDP (as dependent variable) and Exchange Rate (ER), Inflation Rate (IFR), Prime Lending Rate (PLR), and Total Government Expenditure (TGE), as independent variables. Augmented Dickey Fuller (ADF) test was carried out to test for stationarity of the variables Johansen's cointegration test was also conducted to ascertain the nature of relationship among the variables and on the whole, Ordinary Least Square regression technique was adopted in the analysis of the variables and model used in the study. The ADF results obtained showed that RGDPgr and PLR were stationary at level while ER, IFR, and TGE were stationary at first difference. Also, Trace test indicates 2 cointegrating equations at 5 percent level of significance. The OLS result showed positive relationship between ER, PLR and the RGDPgr but a negative relationship between IFR, TGE and RGDPgr. They recommend that Government through appropriate agencies should reduce prime lending rate to encourage borrowing for investment or other productive activities and that the unexpected negative relationship between government expenditure and economic growth which may be as a result of government spending in unproductive ventures, should be weighed and appropriately channelled.

Keywords: *Prime Lending Rate, Government Expenditure, Real Gross Domestic Product, Inflation, Savings, Capital, Wealth, Exchange Rate*

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1. Introduction

Individuals, businesses, governments, organisations (both governmental and non-governmental organisations) and other entities within and outside a country invest locally and/or internationally. The decision

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to invest in a particular location (country, state, or region) is guided by the desire to earn relatively high income or make relatively high returns. Generally, returns do not just come. They are by-products of risk-taking.

"The economy of a country functions on the fundamental mechanism of savings and investment of financial capital into economic activities that help in the creation of economic wealth. Economic wealth in turn creates conducive atmosphere for consumption that creates economic demand for goods and services thereby stimulating production and further investment. Therefore, this continuous economic cycle leads to growth in the economy which is usually measured by the gross domestic product (GDP). Economic growth when channelled optimally leads to economic development which is measured by the standard of living of the people and other parameters such as the availability of developed capital and money markets, the exchange value of the country's domestic currency and the level of infrastructural development to sustain economic activity " (Subramanyam, 2005).

Investors and investment managers make investment decisions. Investors and financial specialists ordinarily perform investment analysis using fundamental analysis, technical analysis and judgment (Jagongo and Mutswenje, 2014). In theories related to conventional financial hypotheses, are thought to be judicious to maximizing their wealth, by following basic financial rules and basing their investment strategies solely on risk-return rationalizations. Nonetheless, practically speaking, investors' approach to risk and their willing to undertake a certain risk is not the same, and depends mainly on their personal attitudes to risk. Studies in behavioural finance have grown quickly in recent years and prove that investors' financial and money-related decisions are also influenced by internal and external behavioural variables (Shefrin, 2000). The diverse paradigm acknowledges that Foreign Direct Investment (FDI) is controlled by the progression of three interdependent factors, namely firm specific ownership advantages, location specific advantages and cross border intermediate product and/or market internalisation advantages (Dunning, 2000).

According to Zarnowitz, 1992 "Investment decisions are crucial for the performance of the economy from two perspectives. From the macro perspective in regular business cycle they account for the majority of volatility in the Gross Domestic Product Dynamics but also their magnitude serves as a significant leading indicator of the economic performance. From micro perspective, they are crucial for the growth of individual companies, increasing their efficiency by reducing unit costs."

One of the main objectives of government has been the stabilization of macroeconomic condition in order to enhance investment and growth of the economy. Unfortunately, the prospects of rapid economic growth have not been realized as the investment climate continued to be unfavourable. A number of constraints continued to prevent the realization of this objective. Notable among these are: exchange rate volatility, paucity of investment capital, inadequate access to medium and long-term finance, inflationary pressure, poor infrastructure, debt overhang and debt services burden, inadequate fiscal and monetary incentives, and poor investment climate (Nnanna, Englama and Odoko, 2004).

The main objective of this study is to assess the impact of the Nigerian investment environment on the economic growth and development of the country. The specific objectives of the study include the following;

i. To identify the environmental factors affecting investment in Nigeria,
ii. To identify major investments in Nigeria and their sources,
iii. To determine the relationship between investment and growth in Nigeria.

This study is organised into five sections – introduction; literature review; methodology; results and discussion and conclusion and recommendation.

2. Literature Review

Literature on business climates and their importance in promoting economic growth and development abounds. Investment climate is about the environment in which firms and entrepreneurs of all types - from farmers and micro-enterprises to local manufacturing concerns and multinationals - have opportunities and incentives to invest productively, create jobs and expand (The World Bank, 2005). It consists of location specific factors that shape the enabling environment for firms to invest productively and grow (Smith and Hallward - Driemeier, 2005). Foreign direct investments consist of external resources, including technology, managerial and marketing expertise and capital. All these generate a considerable impact on host nation's production capabilities. Caves (1996) considers that the efforts made by various countries in attracting foreign direct investments are due to the potential positive effects that this would have on economy. FDI would increase productivity, technology transfer, managerial skills, knowhow, international production networks, reduce unemployment, and access to external markets (Acha and Akpanuko, 2010).

Borensztein, Gregorio and Lee (1998) support these ideas, considering FDI as ways of achieving technology spillovers, with greater contribution to the economic growth than would have national investments.

The importance of technology transfer is highlighted also by Findlay who believes that FDI leads to a spillover of advanced technologies to local firms (Findlay, 1978). The 2005 World Development Report, with the theme "A Better Investment Climate for Everyone", analyzing data from the World Bank Investment Climate Survey, which cover more than 26,000 firms in 53 developing countries, and the Doing Business Project, which benchmarks regulatory regimes in more than 130 countries, concludes as follows:

- that investment climate is central to growth and poverty reduction;
- that reducing unjustified costs is critical but policy-related risks and barriers to competition also need to be tackled;
- that progress requires more than changes to formal policies; and
- that investment climate improvement is a process, not an event.

The World Bank (2011) report of 3000 enterprises in 26 states of Nigeria on environmental issues affecting their businesses produced the following results:

i. 15% of Nigerian entrepreneurs are women - one of the minimal partakes in all Sub-Saharan Africa countries.
ii. Almost 70% of firms in Akwa Ibom prepare their employees, while only 1% of firms in Zamfara apply this practice. Also, laborers that get training gain up to a quarter more than non-prepared workers.
iii. Female entrepreneurs require credit more than men, yet they are less likely to apply for it and less likely to obtain such a needed loan.
iv. Epileptic power supply compels around 90% of firms to possess a generator, and 70% of the energy manufacturers utilize comes from their own generators.
v. Around 70% of small firms with loans are required to pledge with their own personal assets - usually with their house - as insurance.
vi. More than 50% of the manufacturing firms in Nigeria do not employ women.
vii. Unreliable power, transportation interruption, influences bribes, crime, and security represent for around 10 percent of sales' losses, which is twice as high as in South Africa.
viii. Indigenous firms that apply for bank credits are almost three times as likely to be dismissed as firms in Brazil and Kenya.
ix. Half of the small firms that are now registered started as unregistered companies.
x. Female entrepreneurs are 20% more prone to hire a female worker compared to male entrepreneurs. Be that as it may, a woman looking for a job in Nigeria is three times more likely to find it in male-owned firms than in a female-owned firm. Five different ranges of the investment climate that were evaluated as serious issues by at least 33% of firms are - tax rates, tax administration, macroeconomic environment, corruption, and transportation (The World Bank, 2011).

Stakeholders from both the public and private sectors have roles in the establishment and maintenance of a business climate that is conducive to investment and enterprise development. These stakeholders include government agencies, financial institutions, civil society representatives, and private sector entities and organizations (FAO, 2013).

Kumar (2007), described FDI in several ways, first and most likely it may involve parent enterprise injecting equity capital by purchasing shares in foreign affiliates. 'A formal definition for FDI, as a phenomenon of international business, is investment "that reflects the objective of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy" (IMF 1993, p. 86). The resident entity (foreign investor) owns an equity capital stake of no less than 10% of the standard shares in an incorporated company, or its equivalent for an unincorporated company. This mirrors a long haul connection between the investor and the enterprise, and implies a noteworthy level of impact by the investor in a company's management. In contrast, foreign portfolio investors possess have a value stake of under 10% (OECD, 1996). A direct investment company can be a subsidiary (a non-resident investor claims more than 50%), associates (an investor owns 50% or less) and branches (wholly or jointly owned unincorporated companies) either directly or indirectly owned by a foreign investor. The impact by the foreign investor on the enterprise emerges from the firm's specific ownership, monopolistic or oligopolistic, advantages that allow Multinational Enterprises (MNEs) to outperform indigenous firms in global business and local markets (Kindleberger 1969; Caves 1971; Hymer 1976; Jensen 2006, UNIDO, 2008).

They furthered that, 'given the differentiated attractions of alternative locations, MNEs take different paths to leverage core competencies in the most efficient way. FDI is likely if the net benefits of own foreign production, integrated along global value (and supply) chains, exceed those of inter-firm agreements (UNIDO 2003b. Once the Multinational Enterprises (MNEs) sees its "wish-list" (UNIDO 2003a p. 301) well met in a location, and its ownership, location and internalisation advantages are competitive, it may favour FDI as a

function of location factors: policy (Bende-Nabende 2002), infrastructure (Ayanwale 2007) and investment governance (Naudé and Krugell 2007; Bartels and Alladina 2008/09), in relation to entry mode options within autonomous and dependent intermediation (Bartels and Pass 2000; Raff, Ryan and Stähler 2007, 2008).'

The U.S. Department of State in May 2015 identified the following factors as main impediments affecting investors' attitudes toward Nigeria:

i. Steady loss of value by the local currency, for instance, between 2014 and 2015 the Naira declined from 165 to 200 to the dollar. This, it noted, depresses the profits of traders and manufacturers who pay for imports in dollars and earn revenue in Naira.
ii. Decline in Oil revenue: The around 50% drop in the price of crude oil, Nigeria's most important export, in late 2014 created a trade issue for the Central Bank of Nigeria (CBN) and a financial trouble for the administration. This led to a budget deficit which the government is addressing through decreased expenditure, enhanced tax collection, and approaching some international financial institutions for credit. State governments are facing noteworthy loss of income under the federal oil sharing plan, leading to significant budget strains and challenging many state governments' ability to pay civil servant salaries. Decreased government spending, higher tax collection, and low oil prices were components contributing to the slowdown in economic growth in 2015, estimated to be 4¾ percent, as indicated to the International Monetary Fund, with inflation expanding to 11½ percent from the impacts of exchange rate depreciation.
iii. Politics: The presidential and gubernatorial elections, though postponed by six weeks, took place on March 28 and April 11, 2015. The huge cost of the elections and the uncertainty it bred had debilitating consequences for the Nigerian economy and investment environment.
iv. The Ebola crisis of 2014 and Boko Haram insurgency also compounded the challenges of the investment environment.
v. Investment in Nigeria's oil sector has been slowed by regulatory uncertainties, security risks, and low oil prices.
vi. The problems in the Nigerian power sector remain a significant bottleneck to broad-based economic development. With production which is around 4,000 megawatts of power, Nigeria is ranked among the worst countries in the world in power generation per capita and in electricity access, and this forces the vast majority of businesses to generate at least some of their own electricity. The World Bank presently positions Nigeria on 187th place out of 189 countries for its simplicity in obtaining electricity for businesses. Reform of Nigeria's power sector is continuous, however investor confidence has been shaken by recent tariff and regulatory vulnerability.
vii. Nigeria's trade regime remains protectionist and distorting, with prohibitive import taxes and outright import forbiddances set up intended to spur domestic agricultural and manufacturing sector development.
viii. Given the corruption hazard related to Nigeria's business conditions, potential investors regularly create anti-bribery compliance programs. The United States and other parties to the OECD Anti-Bribery Convention forcefully implement anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA). A high-profile FCPA case in the oil and gas sector of Nigeria resulted in 2010 U.S. Securities Exchange Commission (SEC) and U.S. Department of Justice decisions that included record fines for a U.S. multinational and its subsidiaries that paid bribes to Nigerian officials. From that point forward, the SEC has charged four other international companies with bribing Nigerian government authorities to acquire contracts, permits, and resolve customs disputes.
ix. Owing to high rates of violent crime, kidnappings for ransom, and terrorism in Nigeria, investors consider security a precondition for their entry. Maritime criminality in Nigerian waters, including incidents of piracy and crew kidnap for ransom, has increased in recent years and law enforcement efforts have been limited or ineffectual. Onshore, international inspectors have voiced concerns over the adequacy of security measures at some Nigerian port facilities. Freedom of expression and of the press remains broadly observed, with the media often engaging in open, lively discussions of challenges facing Nigeria. Some journalists, however, occasionally practice self-censorship on sensitive issues.

2.1. Empirical Literature

This section considers empirical works done in the area of investment, investment environment and growth in Nigeria and other jurisdictions.

Uwazie, Igwemma and Eze (2015) investigated the nexus between foreign direct investment and economic growth in Nigeria. The study employed vector error correction model method of causality to analyze the annual data for the periods of 1970 to 2013. The Augmented Dickey-Fuller (ADF) unit root test showed presence of unit root at level but stationary after first difference. The Johansen cointegration test confirmed that the variables are cointegrated while the granger causality test affirmed that foreign direct investment and

economic growth reinforce each other in the short run in Nigeria. Also, it was reported that foreign direct investment granger cause economic growth both in the short and long run in Nigeria. Based on these findings, the study advocates the adoption of aggressive policy reforms to boost investors' confidence and promotion of qualitative human capital development to lure FDI into the country. It also suggests the introduction of selective openness to allow only the inflow of FDI that have the capacity to spillover to the economy. These will attract FDI and boost economic growth in Nigeria.

Obida and Abu (2010) investigated the determinants of foreign direct investment in Nigeria. The error correction technique was employed to analyze the relationship between foreign direct investment and its determinants. The results revealed that the market size of the host country, deregulation, political instability, and exchange rate depreciation are the main determinants of foreign direct investment in Nigeria. The authors recommended expansion of the country's GDP via production incentives; further deregulation of the economy through privatization and reduction of government interference in economic activities; strengthening of the political institutions to sustain the ongoing democratic process; gradual depreciation of the exchange rate; and increased investment in the development of the nation's infrastructure, among others.

Osuji (2015) investigated the relationship between foreign direct investment (FDI) and economic growth in Nigeria. Bounds testing approach and Autoregressive Distributed Lags (ARDL) model were used in model estimation for the period covering 1981- 2013. Results overwhelmingly show evidence that a long run relationship exists between FDI and economic growth. Our error correction model was negative and statistically significant and had an error correction of approximately 43%. In the short run, FDI has a small positive but insignificant effect on growth while in the long run, it has a small negative and insignificant effect. The study also examined the effect of international trade and government's macroeconomic policies on the model and found that while economic policy had no significant effect, international trade had a strong impact on growth. Based on its findings, the study called for a review of the national policy on education to emphasize practical vocational and entrepreneurial skills in order to enhance the productivity of human resources. It also recommended that economic policy should be used as a tool to diversify FDI away from the oil sector to the agricultural and manufacturing sectors where there is high potential for job creation and where growth would more easily translate to development.

Okeke, Ezeabasili and Nwakoby (n.d.) examined the impact of Foreign Direct Investment inflows on the growth of Nigerian economy from 1977 – 2011. Cointegration test showed that there is a long run relationship between the variables in the study. The data for the study was tested for unit root using Augmented Dickey –Fuller (ADF) test. Econometric evidence further showed that FDI has positive relationship with economic growth in Nigeria. It is recommended that Nigeria evolve investor friendly policies that can attract foreign direct investments and enhanced the country's productivity and growth.

Enimola (2011) examined the link between Foreign Direct Investment (FDI) in Nigeria from 1970 to 2008. The stationary properties of the data and the order of integration of the data were tested using the Augmented Dickey Fuller (ADF) and the Philips – Perron (PP) tests. The cointegration results showed at least one cointegrating equation in the export function. The Granger – causality results suggested unidirectional causality running from (i) foreign direct investment to export; (ii) real exchange rate to export; (iii) trade balance to export and bidirectional causality from external market indicator to export. The study suggested that more policies should be channeled towards improving export oriented foreign direct investment and at the same time, efforts should be geared towards improving basic infrastructure which will not only lower production costs but improve upon the competitiveness of the economy which will invariably attract more foreign direct investment into the economy.

Olusanya (2013) studied the impact of Foreign Direct Investment inflow and economic growth in a pre- and post-deregulated Nigerian economy, a Granger causality test was use as the estimated technique. However, the analysis de-aggregated the economy into three periods; 1970 to 1986, 1986 to 2010 and 1970 to 2010, to test the causality between foreign direct investment inflow (FDI) and economic growth (GDP). The result of the causality test showed that there is causality relationship in the pre-deregulation era that is (1970-1986) from economic growth (GDP) to foreign direct investment inflow (FDI) which means GDP causes FDI, but there is no causality relationship in the post-deregulation era that is (1986-2010) between economic growth (GDP) and foreign direct investment inflow (FDI) which means GDP causes FDI. However, between 1970 to 2010 it showed the causality relationship between economic growth (GDP) and foreign direct investment inflow (FDI), that is, economic growth drive foreign direct investment inflow into the country and vice versa.

Egwaikhide (2012) investigated the relationship between foreign direct investment (FDI) and economic growth in Nigeria between 1980-2009 using Johansen Cointegration technique and Vector Error Correction Methodology in which FDI is disaggregated into various components. Similarly, it examined the determinants of FDI in Nigeria. The Johansen Cointegration result established that the impact of the

disaggregated FDI on real growth in Nigeria namely: agriculture, mining, manufacturing and petroleum sectors is very little with the exception of the telecom sector which has a good and promising future, especially in the long run. Besides, past level of FDI and level of infrastructures enhance FDI. In the light of the above, the researcher recommended, among other things, the creation of enabling investment climate in Nigeria through the overhauling of the security system which will help in no small measure in boosting investors' confidence as instability scare way prospective investors. And also, there is the need to liberalise the foreign sector in Nigeria while all barriers that are inimical to cross-border trade such as arbitrary tariffs; import and export duties and other levies should be reduced to the barest minimum or, if possible, removed.

Adeleke, Olowe and Oluwafolakemi (2014) analyzed the impact of foreign direct investment on Nigeria economic growth over the period of 1999- 2013. Data used in the study were secondary in nature; sourced from various publications of Central Bank of Nigeria, such as; Statistical Bulletin, Annual Reports and Statement of Accounts. The regression analysis of the ordinary least square (OLS) technique was employed in the study to determine the relationship between and impact of the Direct Foreign Investment on economic growth. The findings revealed that economic growth is directly related to inflow of foreign direct investment and it is also statistical significant at 5% level which implies that a good performance of the economy is a positive signal for inflow of foreign direct investment. This implies that foreign direct investment is an engine of economic growth. It was recommended that government should liberalize the foreign sector in Nigeria so that all barriers to trade such as arbitrary tariffs; import and export duties and other levies should be reduced so as to encourage investors.

3. Methodology

The researcher adopted secondary data research design in the study. Descriptive and inferential approaches were applied to report the results of the study. Data used for the study are secondary in nature and were obtained from various editions of the Central Bank of Nigeria (CBN) Statistical Bulletins.

The study employed the Ordinary Least Square (OLS) regression technique to analyse the relationship between Growth proxied by the growth rate of Gross Domestic Product (GDPgr) and Investment, represented by selected environmental determinants of investment which in this case include Exchange Rate (ER), Inflation Rate (IFR), Prime Lending Rate (PLR), and Total Government Expenditure (TGE). TGE is selected to test the adequacy of fiscal incentive in the model.

The functional form of the model is:

GDPgr = f (ER, IFR, PLR, TGE)
(+) (-) (-) (+)

Where GDPgr = Gross Domestic Product growth rate
ER = Exchange Rate (+)
IFR = Inflation Rate (-)
PLR = Prime Lending Rate (-)
TGE = Total Government Expenditure (+)

The econometric model for the research is set explicitly as follows:

$GDPgr = ß_0 + ß_1 ER + ß_2 IFR + ß_3 PLR + ß_4 TGE + \mu$

$ß_0$ = Constant
$ß_1$ ER = Exchange Rate
$ß_2$ IFR = Inflation Rate
$ß_3$ PLR = Prime Lending Rate
$ß_4$ TGE = Total Government Expenditure
μ = Error term

A Priori Expectations: The operators/signs in parentheses represent a priori expectations about the coefficients of the variable above it.

4. Results and Discussion

4.1. Diagnostic Test: Unit Root Test

Considering the fact that time series data which are prone to some defects including serial correlation were used in the computation, unit root test was conducted and the result is presented in table 1 below. Augmented Dickey-Fuller test was conducted. The test was done to determine whether the series: growth rate

of Real Gross Domestic Product (RGDPgr), Exchange Rate (ER), Inflation Rate (IFR), Prime lending Rate (PLR), and Total Government Expenditure (TGE) are stationary.

Table 1. *Result of Unit Root Test based on Augmented Dickey-Fuller*

Variable	ADF	Critical Value			Order of Integration	Max lag	P-value
		1%	5%	10%			
RGDPgr	-3.745068	-4.356068	-3.595026	-3.23356	I(0)	6	0.0369
ER	-5.138723	-4.309824	-3.574244	-3.221728	I(1)	7	0.0014
IFR	-5.056593	-4.356068	-3.595026	-3.233456	I(1)	7	0.0020
PLR	-4.146654	-4.374307	-3.603202	-3.238054	I(0)	7	0.0163
TGE	-6.753553	-4.309824	-3.574244	-3.221728	I(1)	7	0.0000

Source: Computed Eviews 9 Results

Table 2. *Cointegration Test Results*

Series: RGDPGR ER IFR PLR TGE				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	**Eigenvalue**	**Trace Statistic**	**0.05 Critical Value**	**Prob.****
None *	0.711404	91.70321	79.34145	0.0043
At most 1 *	0.648226	60.63506	55.24578	0.0156
At most 2	0.456406	34.51590	35.01090	0.0564
At most 3 *	0.348372	19.27709	18.39771	0.0376
At most 4 *	0.290222	8.570069	3.841466	0.0034

Notes: Trace test indicates 2 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

From table 1 above, after conducting ADF test and at comparing the test statistic values against the MacKinnon critical value at 5% level of significance, it was observed that two variables – RGDPgr and PLR were stationary at level {i.e. 1(0)} while three variables (ER, IFR, and TGE) were stationary at first difference, that is, 1(1). With this result, a cointegration test was conducted to test if there is any long-term relationship among the variables. The Johansen cointegration test procedure was adopted and the result in table 2 above was obtained. Trace test statistic indicates two cointegrating equations at 5 percent level of significance. This confirms that a long term relationship exists among the variables.

4.2. OLS Results of the Variables used in the Regression

Table 3. *Ordinary Least Square Results*

Dependent Variable: RGDPGR				
Method: Least Squares				
Sample (adjusted): 1989 - 2015				
Included observations: 27 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	1.472897	3.122152	0.471757	0.6417
ER	0.037401	0.022211	1.683883	0.1063
IFR	-0.046209	0.037643	-1.227579	0.2326
PLR	0.158395	0.167221	0.947217	0.3538
TGE	-0.000441	0.000938	-0.469619	0.6432
R-squared	0.354479		Mean dependent var	5.501481
Adjusted R-squared	0.237112		S.D. dependent var	3.899816
S.E. of Regression	3.406235		Akaike info criterion	5.454668
Sum squared resid	255.2537		Schwarz criterion	5.694638
Log likelihood	-68.63802		Hannan-Quinn criter.	5.526024
F-statistic	3.02025		Durbin-Watson stat	1.59748
Prob (F-statistic)	0.039732			

Source: Computed results of Eviews 9

Table 3 above presents the ordinary least square results for the regression and the following key issues are evident: the coefficient of determination ($R^{2)}$ of the model is 0.354479 which means that the explanatory variables in the model have the capacity to explain about 35 percent of variations in the explained variable. Though this is weak, it shows some level of association among the variables. This weakness is probably explained by some environmental issues such as security challenges, distortions caused by Boko Haram insurgence and Ebola crisis among others which are hardly quantifiable and therefore omitted in the model. Even though the coefficients of individual variables in the model are not significant, the model itself is, as its probability of F-statistic which is 0.039732 is significant at 5 percent level of significance. Exchange Rate (ER) has a coefficient of 0.037401 which means that a percentage point rise in ER will increase the growth rate of RGDP by 0.037401 percent. It is good to note that a positive exchange rate in this case means appreciation which favours the host country in terms of FDI inflow. IFR is -0.046209 which implies that a percentage point rise in inflation will decrease the growth rate of RGDP by 0.046209 percent. This is in line with a priori expectation. Meanwhile, against our a priori expectation, PLR shows a coefficient of 0.158395 which implies that a percentage rise in PLR will increase growth rate of RGDP by 0.158395 percent. Increase in interest rate should not increase but rather decrease the growth rate of RGDP, as borrowers will reduce borrowing and that will have a negative impact on RGDP growth. This implies that most of the drivers of growth come from sectors that require little or no formal bank loans.

Besides, the coefficient of TGE shows a negative relationship between government expenditure and the growth rate of RGDP. This implies that an increase in government expenditure will cause a reduction in RGDP growth rate by 0.000441. This position fails to conform to our a priori expectation as well as the theorising of the Keynesian economics though it is being collaborated by Inam and Umobong (2015). The researchers think that government expenditures are on unproductive avenues, defence, corruption, etc., among others.

Finally, the existence of weak relationship suggesting low predictive power of the model constructed for this study tends to limit this study. These limitations are traced to the unquantifiable nature of many of the variables that influence investment and business environments. This, did not negatively affect the results of this study because the quantifiable variables used were adequate for realizing the study's objectives.

5. Conclusion and Recommendation

Investments and businesses are like crops that must grow on well-watered and fertile land. In view of this, a sustainable environment should be provided for the intending and anticipated businesses and investments. According to Nickels, McHugh and McHugh (2005) the business environment consist of surrounding factors that either help or hinder the development of businesses. They include the economic and legal environment, the technological environment, the competitive environment, the social environment, and the global environment. The global environment surrounds all other environmental influences. They furthered that businesses grow and prosper in a healthy environment. The results are high job growth and the wealth that makes it possible to have a high standard of living and a high quality of life. Ball et al (2004) put it this way, 'the term environment means all the forces influencing the life and development of the firm. The forces themselves can be classified as external or internal.' According to them, external forces consist of the following: competitive, distributive, economic, socioeconomic, financial, legal, physical, political, socio-cultural, labour, and technological. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments – domestic, foreign and International.' In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment. However, no domestic firm is entirely free from foreign or international environmental forces because the possibility of having to face competition from foreign imports or from foreign competitors that set up operations in its own market is always present.

In line with findings of the study, the researcher makes the following recommendations.

i. To enhance economic growth and development, the host country (Nigeria) should have a favourable exchange rate position. Any adverse exchange rate will discourage investment in that environment.
ii. Like lenders, investors do not invest where there is sustained rise in the general price level (i.e. inflation) as the value of their money will reduce. Our findings showed a negative relationship between inflation and the growth rate of RGDP. Therefore, monetary authorities are advised to make policies that will reduce inflation so as to increase growth.
iii. Government through appropriate agencies should reduce prime lending rate to encourage borrowing for investment or other productive activities.

iv. Our study revealed a negative relationship between government expenditure and growth rate. Though this is contrary to our expectation, it could be a reflection that the amount of money that government spend is not directed towards productive activities, hence, the negative relationship. In that wise, government is advised to spend adequately in areas that will increase growth.

v. In view of the limitations of this study, the researchers hereby encourage other researchers to investigate why total government expenditures (TGE) should exhibit a negative relationship with RGDPGr, and also why Exchange Rate and Prime lending rate show a positive relationship with RGDPGr.

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Appendix

Time Series used for the Study

Period	RGDPgr	ER	IFR %	PLR %	TGE
1985	8.52	0.8938	1	9.25	13.04
1986	1.9	2.0206	13.7	10.50	16.22
1987	0.17	4.0179	9.7	17.50	22.02
1988	6.23	4.5367	61.2	16.50	27.75
1989	6.66	7.3916	44.7	26.80	41.03
1990	11.63	8.0378	3.6	25.50	60.27
1991	-0.55	9.9095	23	20.01	66.58
1992	2.19	17.2984	48.8	29.80	92.80
1993	1.54	22.0511	61.3	18.32	191.23
1994	0.26	21.8861	76.8	21.00	160.89
1995	1.87	21.8861	51.6	20.18	248.77
1996	4.05	21.8861	14.3	19.74	337.22
1997	2.89	21.8861	10.2	13.54	428.22
1998	2.5	21.8861	11.9	18.29	487.11
1999	0.52	92.6934	0.2	21.32	947.69
2000	5.52	102.1052	14.5	17.98	701.06
2001	6.67	111.9433	16.5	18.29	1018.03
2002	14.6	120.9702	12.2	24.85	1018.16
2003	9.5	129.3565	23.8	20.71	1225.95
2004	10.44	133.5004	10	19.18	1426.20
2005	7.01	132.1470	11.6	17.95	1822.10
2006	6.73	128.6516	8.5	17.26	1938.00
2007	7.32	125.8331	6.6	16.94	2450.90
2008	7.2	118.5669	15.1	15.14	3240.82
2009	8.32	148.8802	13.9	18.99	3452.99
2010	9.54	150.2980	11.8	17.59	4194.58
2011	5.31	153.8616	10.3	16.02	4712.06
2012	4.21	157.4994	12	16.79	4605.39
2013	5.49	157.3112	7.96	16.72	5185.32
2014	6.22	158.5526	7.98	16.55	4587.39
2015	2.79	193.2792	9.55	16.85	4988.86

Source: CBN Statistical Bulletin, 2015