Foreign Direct Investment and Public Revenue in Nigeria

Ezekiel Mijah Elias

Department of Economics, Adamawa State University, Mubi–Nigeria

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ABSTRACT

Developing countries of the world have come to recognised Foreign Direct Investment (FDI) as an alternative supplement to deficit supply of savings and capital. These countries have always make efforts to attract FDI into their economies using available economic policy tools. This research has examined the nexus between FDI and Public revenue in Nigeria bearing in mind the periods 1981 and 2021. The research used the Toda Yamamoto approach to causality and the findings revealed that, capital expenditure, public revenue and tax revenue are important tools in attracting the inflow of FDI in Nigeria. Furthermore, the research also found that FDI in Nigeria is an important contributor to non–oil revenue. This research recommended a viable use of public finance tools to lure FDI into the country as well as the strengthening of fiscal policy institutions for ensuring the manifestation of FDI feedback effect on public revenue.

Keywords: Foreign Direct Investment, Capital Expenditure, Oil Revenue, Non–oil Revenue, Petroleum Profit Tax and Company Income Tax.

INTRODUCTION

Foreign Direct Investment (FDI) is an important component of foreign capital. It entails a foreigner having a direct stake in a business (firm, company, factory etc) operating in a country. FDI is perceived as an alternative supplement to deficit capital in a country. Over the years the developing countries of Africa have come to embraced FDI as solution to deficit domestic capital. According to the United Nations Conference on Trade and Development (UNCTAD) (1999) Economic Growth in Africa generally has been low in the 80s and 90s. Africa's real GDP per capita increased by an average of 1.5% yearly during the 80s, it further grew by 0.4% a year between 1990 and 1994. This is attributed to the problem of low savings and investment in this continent. According to Marandu, Mburu, and Amanze (2019) given the rate of population growth in Africa over the years, Africa needs economic growth rate of between 7% to 8% annually to be able to reverse the spread of poverty in the region. This growth needs investment of about 25% of GDP annually as against the 9% of GDP annually which is obtainable in Africa. UNCTAD (1999) reported that, there was an FDI boom in the mid 1980s, however, Africa was not much of a beneficiary of this boom. This could have attributed to the weak economic performance experienced in Africa over these years. In order to make up for this lost, developing nations of Africa had come to look up to FDI as a solution to this weak economic performance. Since then, these nations have put in place several policies and programs like boasting infrastructures, liberalizing the inflow of FDI, favourable fiscal policy (tax holidays, tax rate reductions, lower company income tax, lower tax on dividends etc) to woo foreign investors into their country. Thus, the inflow of FDI into Africa had witnessed growth from 80s to date. According to UNCTAD (1999) FDI inflows to Africa have increased from $1.9 billion between 1983 and 1987 to $3.1 billion between 1988 and 1992. It further increased to $6.0 billion between 1993 and 1997. The World investment report by UNCTAD (2023) further revealed that FDI inflows in Africa rose from $358 billion between 2000 and 2010 to $608 billion between 2011 and 2022.

Nigeria as a country is no exception to the scenario with the developing nations of Africa. The World Development Indicator (WDI) data archive (2025) revealed that the inflow of FDI into Nigeria has grown from $15 billion between 1981 and 2001 to $60 billion between 2002 to 2012. This data further showed that the inflow of FDI to Nigeria stood at $27 billion between 2013 to 2022. Previous scholars in this field of study had made comprehensive efforts to examine the impact of this FDI inflow on the economic growth and development of the developing nations of Africa. However, few of these literatures had given attention to some

aspects of the transmission mechanism of FDI in promoting economic growth and development in the developing nations of Africa. Nigeria is a public sector driven economy, as such a realistic study of the impact of FDI in promoting economic growth and development in Nigeria ought to pay attention to the relationship that may have been existing between FDI and the Nigerian public sector over the years. Few studies in Africa had tried to look at this relationship in terms of public revenue or taxation. However, there seems to be a missing link in these studies. While some researchers looked at the impact of FDI on public revenue in which case public revenue stands as the dependent variable. Other researchers looked at the impact of tax revenue on FDI, which implies FDI standing as the dependent variable. The argument in this research is that, the above two perspectives are valid. However, in reality the two perspectives should not be treated independently, but simultaneously. This is because public finance in the form of taxation and public expenditure on the one hand can serve as incentive to woo FDI into a host nation by providing quality infrastructures and tax incentives. On the other hand, FDI could or may give a positive feedback to public finance in terms of boasting tax revenues and royalties. This study intends to use the idea of causality in studying this scenario in the case of Nigeria. Thus, this study intends to provide answers to the following questions, bearing in mind the periods between 1981 and 2021.

I. What is the direction of causality running between public revenue and FDI in Nigeria?

II. What is the direction of causality running between tax revenue and FDI in Nigeria?

III. What is the direction of causality running between capital expenditure and FDI in Nigeria?

Conceptual Framework

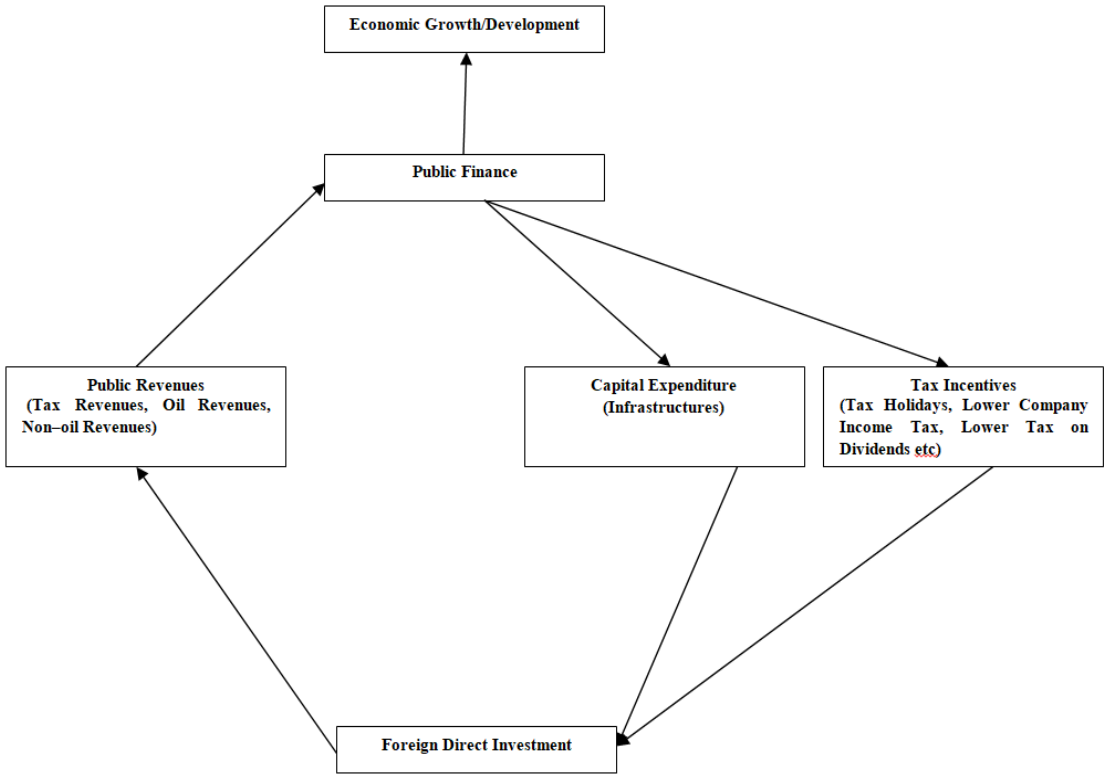

Figure I: Public Revenue and FDI Relationship

Public finance tools in the form of capital expenditure and tax is use to attract foreign direct investment. This would happen when capital expenditure is use to provide infrastructures that serve as basis for the effective operations of industries and businesses or when tax is used as incentives (tax holidays, lower company income tax, lower tax on dividend etc) to encourage foreign companies or businesses into an economy. Foreign direct investment would expectedly yield public revenue which would come in the form of tax revenues, oil revenues or non–oil revenues. Furthermore, it is expected that, this public revenues would serve as injection into the income stream of the economy, thereby contributing to economic growth or development

Theoretical Framework

This research is built on the modified version of the Two–Gap or Dual Gap Model as modified by Bacha (1990) and Taylor (1990). The theory was first formulated by Hollis Chenery and Micheal Bruno in 1962, then by Ronald Mckinnon in 1964, and popularised by Hollis Chenery and Alan M Strout in 1966. The central argument in this theory is that developing countries face either a shortage of domestic savings to match investment opportunities or a shortage of foreign exchange to finance needed imports of capital and intermediate goods. This theory holds the view that, the savings and the foreign exchange gaps are two separate and independent constraints in the attainment of a target rate of economic growth in developing countries. This theory argued that the inflow of foreign capital (Foreign Aid, Remittances, Portfolio Investment or FDI) is needed by the developing countries to fill in their foreign exchange or savings gap (Todaro & Smith, 2012; Jhingan, 2005).

Bacha (1990) and Taylor (1990) identified the third gap which is known as the fiscal gap. The fiscal gap arises due to the inability of the governments of developing countries to raise revenue necessary for a desired level of investments. The argument behind the fiscal gap is that foreign flows to government could potentially relax the fiscal gap on the condition that the foreign flow is used for investments (Elphas, 2009). According to Conchesta (2008) the fiscal gap is a subset of the savings gap, it is the difference between government revenues and expenditures. It can hamper growth and development in a country if it is not closed. According to the three–gap model, the utilisation and expansion of existing productive capacity is constrained not only by domestic savings and foreign earnings as initially viewed by Chenery and Strout (1966) in the context of the two–gap model but also by the impact of fiscal limitations on government spending. This is so because capital formation in an economy is split between government investment I_g and private investment I_p (Sepehri & Akram–Lodhi, 1999, Bacha 1990).

The three gap model is made the theoretical framework of this research because Nigeria is a public sector led economy. The economy had relied heavily in the past and even in the present days on the public sector to drive its developmental dream. In addition, the Nigerian public sector since the time of the oil doom (early 80s) had relied heavily on internal and external borrowing to finance it budget.

Empirical Literature

The empirical literature is presented in two groups. The first group are those who looked at the impact of FDI on tax revenue and the second group are those who looked at the impact of tax incentives or taxation on FDI.

Impact of FDI on tax revenue

Mahmood and Chaudhary (2013) investigated the impact of FDI on tax revenue in Pakistan during the periods 1972 and 2010. The researchers used Autoregressive Distributed Lag (ARDL) and Error Correction Mechanism (ECM) approach in their analysis and their findings revealed that FDI contributes positively to tax revenue in Pakistan. Abdramana (2019) investigated the role of FDI inflows in tax revenue mobilisation in 90 developing countries during the periods 1996 and 2017 using a system Generalized Methods of Moment (GMM) estimation technique. The results from the research revealed that, FDI inflows lead to a significant tax revenue increase. However, this results is not applicable in resources exporting countries where tax revenues seem statistically insensitive to FDI inflows.

Arif (2020) Study the effects of FDI on tax revenues in 80 developing countries for the periods 2000 and 2016 using panel data analysis. The research revealed that FDI net inflow has a positive and statistically significant correlation with total tax revenue. The regression results from the Greenfield FDI showed that Greenfield FDI has a statistically significant effect on total tax revenue. Kunofiwa (2022) carried out a study to investigate the influence of FDI on tax revenues in five selected Asian countries during the periods 1988 and 2020. The researcher used Fully Modified Ordinary Least Squares (FMOLS), Fixed Effects (FE) and the Pooled Ordinary Least Squares (POLS). The findings from the Pooled OLS revealed that tax revenue generations had been significantly enhanced by FDI during the periods under review. While, the findings from the FMOLS and FE indicate a non significant positive relationship running from FDI towards tax revenue, but the interactive

variable between FDI and Economic growth was found to have a significant enhancing effect on tax revenue under the pooled OLS.

Ozekhome (2022) examined the nexus between tax and FDI in Nigeria from 1986 to 2020 using Generalized Methods of Moment (GMM) estimation technique. The findings of the research revealed that, high tax regime has negative effects on FDI inflows. Gaspareniene, Kliestik, Sivickiene, Remeikiene and Endrijaitis (2022) investigated the impact of FDI on tax revenue in European Union countries from 1999 to 2019. The researchers used Panel data regression analysis. Their results revealed that the outward FDI has a stimulating impact on total tax revenue. While the inward FDI has a dampening effect on tax revenue. The results further revealed that, there is a significant impact of lagged outward FDI on tax revenue in EU member states.

Olufunmilayo and Leward (2023) examine the role of FDI in mobilisation tax revenue in South Africa during the periods 1994 and 2021. The researchers used the ARDL and the ECM approach in their data analysis and their results revealed that FDI in South Africa during the period under review had a statistically significant negative effect on tax revenue in South Africa. Abubakar, Peter and Munkaila (2024) examined the dynamic effects of foreign direct investment on tax revenue in Ghana from 1983 to 2019 using the ARDL model. Their results revealed that FDI has no significant effect on total revenue in the short–run. The results further revealed that, FDI has significant long–run positive effects on total revenue.

Omodero and Joy (2024) study the effects of foreign direct investment and trade openness on tax revenues in some selected Sub–Saharan countries (Nigeria, Ghana, Kenya and South Africa) between the periods 1990 and 2022. Using the panel ARDL approach, the researchers found that in the long run FDI has a significant negative impact on tax income. The results further revealed that, in the short–run except for Ghana, FDI has a beneficial impact on the economy of the other selected nations. Suchetha and Ashwini (2025) using Pearson correlation and regression analysis investigated the impact of FDI on tax revenue in India during the periods 2011 and 2023. Their findings indicated that, there is a significant positive correlation between FDI and tax revenue in India during the periods under review.

Impact of tax revenue on FDI

Loan–Alin and Drago (2013) explored the link between taxation, FDI and tax incentive in Romania during the periods 1995 and 2010. The researchers used OLS estimation technique on a number of regression models. The researchers conclude that, there is a strong link between revenue from company income tax and FDI. Nwachukwu (2017) study the impact of company tax revenue on FDI in Nigeria during the periods 2000 and 2015. The researcher used the OLS estimation technique. The result revealed that, there is no significant positive impact of company income tax on FDI in Nigeria. Mukhtarov, Alalawneh, Azizov and Jabiyev (2020) examine the impact of monetary policy and tax revenue on FDI in Jordan for the periods 1991 and 2017. Using the Vector Error Correction model, the Canonical Cointegration Regression and the Fully Modified Least Squares Methods, their results revealed that tax revenue has a negative impact on FDI in Jordan.

Shafiq, Hua, Bhatti and Gillani (2021) investigated the impact of taxation on FDI inflows in Pakistan during the periods 1985 and 2020. The researchers used the ARDL and ECM techniques in their analysis and they found that, low taxes motivate foreign investors' contribution and long–run relationship between taxes and FDI in Pakistan. Ibrahim, Garba, Muhammad, Kakanda and Shehu (2022) examine the impact of tax incentives on FDI inflow into Nigeria during the periods 2008 and 2018. The researchers used Driscoll–Kraay Standard Errors Regression analysis. Their findings revealed that tax incentive has a positive and significance impact on FDI inflow.

Molokwu, Inyiama and Ugwuanyi (2023) examine the effects of tax revenue on FDI in Nigeria during the periods 2011 and 2020. The researchers used OLS regression estimation technique in their analysis. Their result revealed that, value added tax (VAT) and custom and exercise duties (CED) have insignificant negative effect on FDI, while company income tax has significant but negative effect on FDI. Okolie (2023) investigated how tax revenue affected FDI in Nigeria during the periods 2000 and 2021. The researchers used multiple regression analysis and their results revealed that petroleum profit tax, corporate tax and value added tax had a significant positive effect on FDI. The result indicates that, tax income plays a critical role in attracting FDI in Nigeria.

Nwankpa and Ufomadu (2024) study the effect of taxation on FDI flows to Nigeria during the periods 2000 and 2020. The researchers used an OLS estimation technique on a multiple regression model. Their findings revealed that corporate income tax had a significant negative effect on FDI flows in Nigeria, while value added tax had a significant positive effect on FDI flows to Nigeria. Terence, Ngala and Mungai (2024) examine the impact of tax incentives on FDI inflow in Kenya during the periods 2002 and 2021. The researchers used OLS estimation technique on a multiple regression model. the research revealed that, tax incentives had a positive significant effect on FDI in Kenya.

Umezurike, Onyekachi–Onyele and Nwagwu (2024) investigated how taxes impacted FDI in Nigeria during the periods 1999 and 2023. The researchers used the ARDL estimation approach in their data analysis. Their findings revealed that, on the long–run personal income tax and corporate income tax have negative and considerable influences on FDI. While on the short–run value added tax, company income tax, petroleum profit tax and personal income tax were significant. Suggesting that, taxes had immediate effect on FDI. The researcher concludes that these taxes had a major impact on FDI in Nigeria.

Research Gap

A critical look at the above empirical review shows that, only Ozekhome (2022) looked at the impact of FDI on tax revenues in Nigeria using GMM estimation technique. Other researchers like Nwachukwu (2017); Ibrahim, Garba, Muhammad, Kakanda & Shehu (2022); Molokwu, Inyiama & Ugwuanyi (2023); Okolie (2023); Nwankpa & Ufomadu (2024); Umezurike, Onyekachi–Onyela & Nwagwu (2024) looked at the impact of tax revenues on FDI in Nigeria. This above fact signifies a huge research gap as regards to the relationship between FDI and public revenue in Nigeria. This is premise on the fact that, this relationship is better explored from a dual perspective rather than from one perspective as done by the majority of these researchers in the Nigerian context. In addition, the relationship between FDI and public revenue in Nigeria goes beyond looking at tax revenues along, but it entails incorporating variables like capital expenditure as well as oil and non–oil revenues.

METHODOLOGY

This research is based on causal experimental research design. The causal experimental research design is used when the aim of the study is to find out if the past values of a variable say X (independent variable) is relevant in determining the present value of another variable say Y (dependent variable). This research design is experimental in nature because the targets variables are allow to vary, while other variables are held constant. Thus, in line with this research design, the variables used in this study included Foreign Direct Investment (FDI), Government Capital Expenditure (CEXP), Oil Revenue (OREV), Non–oil Revenue (NOREV), Petroleum Profit Tax (PPT) and Company Income Tax (CIT). The data on OREV, NOREV and CEXP were sourced from the Central Bank of Nigeria statistical bulletin for the year 2023, PPT and CIT were sourced from the Central Bank of Nigeria statistical bulletin for the year 2007 and partly from the Federal Inland Revenue Service (FIRS). Lastly, the data on FDI was sourced from the World Development Indicators (WDI). These data cover the periods 1981 to 2021. Judging from the fact that, the above mentioned data are time series data, the researcher carried out the analysis in three stages. These stages included Unit Root Test, Co integration Test and Causality Analysis.

Unit Root Test

The essence of this test was to avoid running a spurious regression. In other to achieve a robust result on the status of stationeirity of the variables involved, the researcher used two techniques of unit root test. The Augmented Dickey Fuller Test and the Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) Test. In the Augmented Dickey Fuller (ADF) test accepting the null hypothesis means non stationary, while accepting the null hypothesis in the KPSS test means stationary. The KPSS test is a mirror test to the ADF test.

The ADF test is based on the following model.

$$\Delta y_t = \alpha y_{t-1} + x_t'\delta + \beta_1 \Delta y_{t-1} + \beta_2 \Delta y_{t-2} + \ldots + \beta_p \Delta y_{t-p} + \nu_t \quad \ldots\ldots\ldots 3.1$$

Where y in the model stands for the variables FDI, CEXP, OREV, NOREV, PPT and CIT.

The KPSS test starts with estimating the model in 3.2 where Y_t is the series and X_t is the exogenous variables.

$Y_t = X_t \delta + \mu_t$ 3.2

The KPSS test statistic is the Lagrange multiplier (LM) which is defined by model 3.3 and is calculated with the aid of the residuals obtained from equation 3.2.

$LM = \sum S(t)^2 / (T^2 f_0)$,,,,,,,,,,,,,,,,,,,,,,,,..,,,,,,,,.......... 3.3

(Eviews, 2020a)

Co integration Test

The essence of this test is to determine the presence or absence of long run equilibrium relationship among the variables (FDI, CEXP, OREV, NOREV, PPT and CIT). Given a group of non-stationary time series, this test aimed at finding the possibility of linear combination among the variables. In the event that, a linear combination exists among them, we would say the variables are Co integrated (i.e a long run equilibrium relationship exist among the variables).The Co integration test used in this research was the Johansen Co integration test. The Johansen Co integration test can detect multiple co integrating vectors and it is more appropriate for multivariate analysis. It takes the starting point of Vector Auto regression (VAR) of order p given by the general formula below.

$y_t = A_1 y_{t-1} + ... + A_p y_{t-p} + Bx_t + \epsilon_t$ 3.4

Where y is a vector of the non stationary series FDI, CEXP, OREV, NOREV, PPT and CIT (Eviews, 2020b).

Causality Test

Causality test or approach shows how the current value of a series Y is explained by its lag values and by the values and lag values of another series say X. This test answers the question whether X causes Y or Y causes X. Y is said to be caused by X, if X helps to explained or predict the value of Y. The essence of adopting this method is based on the fact that, the relationship between FDI and public revenue is expected to be a two way affairs. Public revenue and taxation as tools of fiscal policy can be use as incentive to attract FDI, while FDI is most likely to give a feed back to public revenue through which FDI could ultimately contribute to the economic growth and development of a country like Nigeria.

The causality test used in this research is the Toda Yamamoto approach to causality. The reason for using the Toda Yamamoto approach is to have a robust result that is capable of overriding the weakness associated with the normal Granger causality test. The normal Granger causality test would not guarantee a robust result if the series concerned are not stationery at levels but have to be difference once or twice to achieve stationary status. This is because the normal Granger causality test is based on the assumption of a normal distribution series which may not hold true in the event the series are at difference. In order to take care of this weakness the Toda Yamamoto approach was adopted.

The Toda Yamamoto approach to causality test is based on an augmented Vector Auto Regressive (VAR) model that generates asymptotic Wald test statistics in form of Chi–Square distribution. The augmented VAR model is given as:

$K + d_{max}$... 3.5

Where, K is the optimal lag length and d_{max} is the maximum order of integration of the variables involved. The presence of d_{max} further imply that the difference in the order of integration (in essence; I(0), I(1), or I(2)) of the variables is inconsequential for the test, all that is important is the maximum order of integration among the variables (Toda & Yamamoto, 1995).

RESULTS AND DISCUSSION OF FINDINGS

The results of the data analysis are given below in three sections.

Results of Unit Root Test

Table I Unit Root Test At 5% Level Of Significance

	ADF TEST		KPSS TEST		
SERIES	ADF Statistics	Critical Values	LM Statistics	Critical Values	Order of Int.
FDI	-7.375891	-2.938987	0.089700	0.463000	I(1)
CEXP	-4.550378	-2.963972	0.277828	0.463000	I(2)
OREV	-6.517579	-2.938987	0.107457	0.463000	I(1)
NOREV	-8.903109	-2.941145	0.385263	0.463000	I(2)
PPT	-4.504043	-2.938987	0.163189	0.463000	I(1)
CIT	-6.979419	-2.945842	0.196739	0.463000	I(2)

Source: Author's Compilation

The results on table I showed that FDI, OREV, and PPT are stationary at first difference and at 5% level of significance, while CEXP, NOREV and CIT are stationary at second difference and at 5% level of significance. This finding applies to the Augmented Dickey Fuller test and the Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) test. This result implies that the variables were not stationary at levels, but they had to be difference to be stationary. In essence the variables are both integrated of order one [I(1)] and integrated of order two [I(2)].

Result of Co Integration Test

Judging from the fact that the variables were not stationary at levels, it has become necessary for the researcher to go further and investigate the chances of having linear combination among the variables. This result is shown in table II below.

Table II Result of the Johansen Co integration Test

Series: FDI, CEXP, OREV, NREV, PPT and CIT

Trace Test				
Hypothesized No. of CE(s) No. ofCE(s)	Eigen value	Trace Statistic	Critical Value (5%) Critical Value	Prob**
None*	0.963432	309.4560	95.95366	0.0000
At most 1*	0.876928	180.4210	69.81889	0.0000
At most 2*	0.674301	98.71650	47.85613	0.0000
At most 3*	0.539419	54.96698	29.79707	0.0000
At most 4*	0.433027	24.73157	15.49471	0.0015
At most 5	0.064524	2.601286	3.841466	0.1068

Maximum Eigen value				
Hypothesized No. of CE(s) No. ofCE(s)	Eigen value	Max-Eigen Statistics Statistic	Critical Value (5%)	Prob**
None*	0.963432	129.0349	40.07757	0.0000
At most 1*	0.876928	81.70454	33.87687	0.0000
At most 2*	0.674301	43.74052	27.58434	0.0002
At most 3*	0.539419	30.23541	21.13162	0.0020
At most 4*	0.433027	22.13028	14.26460	0.0024
At most 5	0.064524	2.601286	3.841466	0.1068

Source: Author's Compilation

The results on table II showed that both Trace test and Max-Eigen test revealed five co integrating equations at 5% level of significance. This implies that, there exists long run equilibrium relationship among the variables foreign direct investment, capital expenditure, public revenue (oil and non oil revenue) and tax revenue (petroleum profit tax and company income tax) in Nigeria during the era under review.

Causality Result

As stated earlier the test of causality conducted was the Toda–Yamamoto approach to causality, this result is given in tables III and IV below.

Table III Result of Toda–Yamamoto Approach to Causality (1)

Excluded	FDI Chi-Square (Prob)
CEXP	19.24626 (0.0007)
OREV	17.55884 (0.0015)
NOREV	11.57989 (0.0208)
PPT	28.27520 (0.0000)
CIT	13.23117 (0.0102)

Source: Author's Compilation

Table IV Result of Toda–Yamamoto Approach to Causality (2)

		Dependent Variables			
Excluded	CEXP Chi-Square (Prob)	OREV Chi-Square (Prob)	NOREV Chi-Square (Prob)	PPT Chi-Square (Prob)	CIT Chi-Square (Prob)
FDI	2.702325(0.6088)	3.808008 (0.4326)	18.23293 (0.0011)	8.655172 (0.0703)	6.190390 (0.1854)

Source: Author's Compilation

The result on table III revealed that, the past and present values of capital expenditure, oil revenue, non–oil revenue, petroleum profit tax and company income tax explained the inflow of foreign direct investment in Nigeria during the era under review. This implies that capital expenditure, public revenue in the form of oil and non–oil revenue, as well as tax revenue in the form of petroleum profit tax and company income tax have served as incentive to attracting foreign investors in Nigeria over the years.

The results on table IV revealed that, there is a bi–directional causality running between foreign direct investments in Nigeria and the non–oil revenue in Nigeria. Meaning that FDI has been a significant

determinant of what formed the Nigerian non–oil revenue over the years. The results further revealed that, at 10% level of significance the same relationship existing between the inflow of FDI in Nigeria and the non–oil revenue would still exist between the inflow of FDI in Nigeria and the Nigerian tax revenue in the form of petroleum profit tax. However, the results on table IV further revealed that, FDI inflow in Nigeria over the years does not explain the behaviour of capital expenditure in Nigeria as well as the behaviours of oil revenue and company income tax in Nigeria. In a nutshell the findings of this research are.

(i) Capital expenditure in Nigeria over the years had served as a tool for attracting FDI inflows into the country.
(ii) Public revenue in the form of oil and non–oil revenue have over the years contributed towards attracting the inflow of FDI in Nigeria.
(iii) The tool of taxation in the form of petroleum profit tax and company income tax have over the years been used in Nigeria as an incentive to woo foreign investors into the country.
(iv) The inflow of FDI in Nigeria over the years had contributed to the generation of non–oil revenue and tax revenue in the country.

These findings imply that Nigeria should always give more prominence to capital expenditures in her yearly budget and future planning. These capital expenditures should be strategically plan in such a way that, prominence is given to key infrastructures like power, transportation, communication etc. Furthermore, taxation in the form of petroleum profit tax and company income tax should continue to be strategically deployed as incentives to attracting and maintaining the presence of foreign firms. The contribution of FDI to non–oil revenue in Nigeria over the years is an indication that, FDI inflow in the Nigerian non–oil sector is more productive to public revenue than in the oil sector.

CONCLUSION AND RECOMMENDATIONS

Based on the above findings the researcher concludes that, the inflow of foreign direct investment in Nigeria over the years exhibited a symbiotic relationship with the Nigerian public revenue in the form of non–oil revenue and petroleum profit tax.

This research here by recommends that, there should be conscious efforts on the part of the Nigerian government to exhaustively use the tools of fiscal policy (public expenditure and taxation) in attracting the inflow of foreign direct investment. In addition institutions for fiscal policy should be strengthen in order to create conducive environment that would enhance a good feedback effect of FDI on the Nigerian public revenue.

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APPENDIX

Sample: 1981 2021			
Included observations: 35			
Dependent variable: FDI			
Excluded	Chi-sq	df	Prob.
CEXP	19.24626	4	0.0007
OREV	17.55884	4	0.0015
NOREV	11.57989	4	0.0208
PPT	28.27520	4	0.0000
CIT	13.23117	4	0.0102
All	64.81836	20	0.0000
Dependent variable: CEXP			
Excluded	Chi-sq	df	Prob.
FDI	2.702325	4	0.6088
OREV	8.904344	4	0.0635
NOREV	0.755947	4	0.9443
PPT	6.089699	4	0.1925
CIT	1.057517	4	0.9010
All	22.30445	20	0.3242
Dependent variable: OREV			
Excluded	Chi-sq	df	Prob.
FDI	3.808008	4	0.4326
CEXP	1.258700	4	0.8683
NOREV	6.851152	4	0.1440
PPT	6.190933	4	0.1853
CIT	11.54998	4	0.0210
All	29.04632	20	0.0869
Dependent variable: NOREV			
Excluded	Chi-sq	df	Prob.
FDI	18.23293	4	0.0011
CEXP	2.364604	4	0.6690
OREV	45.59725	4	0.0000
PPT	33.38626	4	0.0000
CIT	14.98101	4	0.0047
All	82.92837	20	0.0000
Dependent variable: PPT			
Excluded	Chi-sq	df	Prob.
FDI	8.655172	4	0.0703
CEXP	6.504063	4	0.1645
OREV	6.327481	4	0.1760
NOREV	9.169723	4	0.0570
CIT	5.861602	4	0.2097
All	24.96227	20	0.2029
Dependent variable: CIT			
Excluded	Chi-sq	df	Prob.
FDI	6.190390	4	0.1854
CEXP	4.241204	4	0.3743
OREV	3.713553	4	0.4462
NOREV	5.512186	4	0.2387
PPT	4.117961	4	0.3903
All	19.51544	20	0.4886