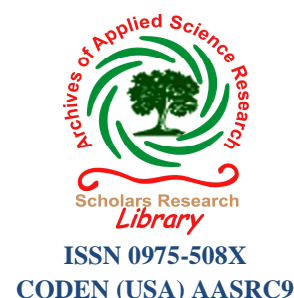




Scholars Research Library

Archives of Applied Science Research, 2014, 6 (1):179-183  
(<http://scholarsresearchlibrary.com/archive.html>)



## Foreign direct investment and its effect on tourism and economic stimulation in Nigeria

<sup>1</sup>Usang, Eteng Eloma and <sup>2</sup>Ekpo, Eno Bassey

<sup>1</sup>CR University of Technology (Crutech), Centre for General Studies, Calabar, Nigeria

<sup>2</sup>National Open University of Nigeria, Calabar Study Centre, Calabar, Nigeria

---

### ABSTRACT

*The Socio-cultural and political situation in Nigeria has not changed much since the advent of democratic government in the country. Thus, in the economic sphere the wealth of the nation continued to be concentrated in a few hands. The neo-literal policies of the state including privatization, puts less role for governance in the economy, and deregulation of the economy remain in place. As a consequence, control of foreign forces and interests over the economy and the nation remains, the oil and gas industry, the main stay of the economy is largely controlled global foreign capital, while there is allegedly a private sector in Nigeria, which is foreign dominated. The private sector where Nigerians are involved ironically, exist to import what is manufactured elsewhere into the s situation jobs, balance of payments, out flow of resources, inflation, personal incomes, creativity, innovation and technological development are better imagined. It is thus, no wonder that we are seeing more unemployment, more foreign closures, low wages and unpaid pension benefits among others. A recent estimate by World Bank indicates that only 10% of Nigerians are in paid employment and the rate of unemployment among the youths, stand at least 40%. The study therefore was aimed at addressing this sad situation of Nigeria by re-branding Nigeria such that foreign direct investment/tourism could stimulate Nigeria economy based on our re-branding image. To address this situation a null hypothesis was formulated to guide the study. Two hundred respondents' responses were utilized. Pearson product moment correlation (r) and contingency chi-square (x) statistical procedure were utilized. The analyses revealed that with direct foreign investment in the field of tourism, our economy will be stimulated. While major recommendation point to the fact that for foreign direct investment to be achieved in Nigeria, there should be aggressive need to re-brand Nigeria image by embarking on projects that are aimed at laundering the country's image.*

**Key Words** re-branding, foreign direct investment, corruption, insecurity, brand eroders, image laundering, poverty, corporate existence, cultural revival, wealthy citizens

---

### INTRODUCTION

In the past one and a half decades of democratic governance in Nigeria, the national economy has continued to under perform. Although economy is said to have grown at the rate of over 6 percent, unemployment and poverty have remained critical challenges facing the nation. Inflation has been on a rise, reaching a rate of 12.8 percent. Though banking sector crises is now moderated, but credit to the real sector of the economy has remained

inadequate, while the naira has continued to depreciate. Though the depreciation of the naira is directly implicated in the rising inflation which is reflected in the cost of basic services in the country today.

In line with the editorial of National Scholar of May, 2012[1] which maintained that the Nigerian government does not seem to have a credible answer to these tempestuous happenings. Rather, it continues to dish out unpopular policies to the detriment of the citizenry thereby worsening an already bad situation. In 1st January 2012, the country witnessed the removal of subsidy on fuel importation. The uprising witnessed in different parts of the country in reaction to the fuel hike, consequently, the economy continue to suffer from cumulative effects of a deep socio-political crises notwithstanding, the official figures of growth coming from the IMF/World Bank, the dwindling foreign resources, the high level of inflation, the highly skewed unemployment rate, smiling at the faces of Nigerians daily. The incoming gap between the rich and poor, coupled with a persuasive, sense of insecurity in the country drives concern Nigeria to start looking inward for the way forward.

Ironically, what appears obtainable is to appeal to the international community to consider direct foreign investment in the country which should be subsumed into the tourism potential of the nation. The Nigeria from available evidence has the where withal to forge ahead as an indivisibly entity to use tourism as a pointer to harvest foreign investment. Rather than look back in despair, we as a nation should move ahead as to correct the ills of the past, while we continue to live in unity amidst diversity on our tourism potentials.

The Nigeria situation has often times kept critics on an unending evaluation over the way forward. This paper hopes to achieve a new Nigerian through direct foreign investment on tourism which is colored under re-branding image of Nigeria. It has however been observed that Nigeria most outstanding unresolved question is the issue of marginalization of some sections of the country, and when a particular section feels highly marginalized, its restive youths resort to violent to articulate their position thereby dragging the name of Nigeria to the mud. Few years ago restive youths from the Niger/Delta region of Nigeria held the nation hostage with series of gunshots from the creeks where Nigeria crude oil exploited. Expert oil workers, government official, law enforcement agents and well placed Nigerian were kidnapped and some, sometimes killed.

In the South West zone of Nigeria, sometimes ago, some irate youths under the cover of Oduduwa Peoples' Congress (OPC) unleashed a reign of terror in the zone, thereby painting a negative image of Nigeria. They equally killed, maimed, and destroy properties. In the South East the emergence of the movement for the actualization of Biafra (MASOB) almost exhumed the spirit of the civil war which Biafra stood for, which kept Nigeria at standstill for thirty months of civil war, kidnapping, armed robbery and endless violence on her citizens.

In Northern Nigeria a dreaded group known as Boko Haram has resulted into meaningless suicide bomb attacks and indiscriminate gun shooting at public places like motor parks, churches and the likes. The group beliefs, according to Jegede, S. B. (2012) [2] Nigeria socio economic and leadership crisis arises from the rulers acquaintances with western-education, which makes them unpatriotic, corrupt and oppressive, and hence demand for the enthronement of Shariah.

From the highlighted, it is clear that no part of the country is immune to attacks, as each part of the country has to contend with their fashion of violence ignited by some aggressive persons of the society. Today, the threats are in millions as school gates are under lock and key at all level of Nigeria Education sub-sector. In Cross River State for instance, at the point of writing this paper, all the Primary, Secondary and Universities were on strike for months, reasons being government inability to meet with terms of agreement entered into some years ago.

Frustrations are well written on the faces of hundreds of thousands of desperate young graduates and school leavers who comb the streets daily in search of jobs which are not in sight. As can be rightly observe, the ruling circle in Nigeria, because of their control of the economic or material base of the society, entrench and re-enforce their perception of morality or values on the society. Power supply remains epileptic and grossly inadequate in relation to the needs of the country. This has been in spite of the huge sum of money sunk into the power sector. Inflation remains a major and continuing problem. The fact that the government itself admit that inflation is in double digits indicate that the situation is much worse.

Today crime is not only on the increase, old forms of crime have assumed new proportions while new forms of crime have emerged. For many Nigerians, especially the older or aging generations, we cannot but recall a time when they assumed Nigeria was on her way to greatness, and standing shoulder to shoulder with the developed/developing countries of south America, Europe, Asia and elsewhere. It was then nice and glorious being called a Nigerian.

A country that was celebrated round the world has become a monumental failure. It failed in the face of the international community. But far more than anything else, it failed the citizens (of Nigeria) hence, the significant reason among other issues which calls for attention to be focused on foreign direct investment on tourism and economic stimulation of Nigeria which this paper attempts to explore.

## MATERIALS AND METHODS

### Purpose of the study

The purpose of this study is to point to the facts why Nigeria is considered not safe enough for foreign direct investment and to provide solutions as to what should be done for instance, if Nigeria is to attract reasonable foreign economic investments and stimulation.

### Hypothesis

There is no significant relationship between Foreign Direct Investment, on tourism and economic stimulation Nigeria.

### The scope of the study

The scope of the study was delimited to addressing the effect of Foreign Direct Investment, on tourism and economic stimulation in Nigeria and why such economic stimulation has not been achieved.

### Theoretical framework

Given the enormous human, natural and material resources at the disposal of Nigeria, it is sad to note that the country has remained an under-dog economically. Investors and tourists have preferred smaller markets with lesser mineral resources and less attractive tourist potentials for their investments trends and travels. The Nigerian government attributes the inability of the country to attract sufficient foreign investments on tourist, because of the negative image of the country in spite of her vast potential. The average Nigerian is perceived as a criminal or fraudsters any where he goes around the world while Nigeria and Nigerians are considered unsafe to do business with; Research Journal of International Studies - issue 19 of June, 2011[3].

In 2004, the United Nations conference on trade and development (UNCTAD) [6], at a public forum in Lagos, Nigeria concluded that Nigeria's poor external image is denying it much needed foreign investment to accelerate its economic growth.

Frost, (2004) [4], Nworah, (2006) [5] explained with respect to patronizing countries or places, decision making is very difficult and complex because the costs of making mistakes are prohibitive. A tourist will consider the security of his life which can never be compensated for, and value his money. The investor will also consider the security of his huge investments and the possible rate of return on such investments in that country compared to other countries. Thus, the investor, trader or tourist will seriously consider the political, social and economic stability of a country before making her a destination.

### Research Design

This research was a combination of two approaches namely descriptive and inferential research methods. It is descriptive because certain facts were obtained from the primary and secondary sources which were described on the basis of inferences and results made from the analysis, policy recommendations were proffered by the nature of the research and the data gathered, tables and summary calculations were used in some cases to facilitate the analysis. In planning this research, the researchers made use of two principles sources of data gathering which are primary and secondary sources.

### Population

The population of the study comprised a sample size of 200 respondents.

### Procedure for Data Collection

The questionnaire was administered to respondents by the researchers with the aid of some research assistants. The instrument was completed and retrieved by the administrators immediately after completion.

### Method of Data Analysis

The researchers collected the data and organized them according to the questions formulated for the study. The generated data were then subjected to statistical analysis procedures using the following statistical models.

### Hypothesis

There is no significant influence of foreign direct investment on tourism and economic stimulations in Nigeria.

To analyze this hypothesis data was extracted from the data bank and categorized (into frequencies) according to the levels of FDI, tourism and economic stimulation. The summarized data were then subjected to statistical analysis, using the contingency chi square ( $\chi^2$ ) procedure.

**Table 1: 3x2 Contingency Chi-square ( $\chi^2$ ) analysis of influence of foreign direct investment in Nigeria.**

Variable	Foreign/ external factors						
Level of agreement	FDI	Tourism	Economic stimulation	Total	Df	X <sup>2</sup> -Cal	p-val
Yes f(o)	69	75	35	179	2		
f(e)	79.075	67.875	35.80			15.86	0.11
No f(o)	16	0	5	21			
f(e)	18.925	7.85	4.20				
Total	85	75	40	200			

Result significant at  $p < .05$ ,  $df=2$ ,  $\text{crit-}\chi^2=9.725$  (1-tailed)

Researchers Field survey: 2013

## RESULTS AND DISCUSSION

The statistical analysis of this hypothesis has made us to understand that there is significant influence of foreign direct investment on tourism and economic stimulation in Nigeria that is the higher the level of foreign direct investment, the higher the level of tourism and economic stimulation in Nigeria.

These findings are in consonance with research the journal of international studies- issues 19 (June, 2011; p.23) [3] which stated that despite the enormous human, natural and materials resources at the disposal of Nigeria, sadly the country remained an under-dog economically- Investors and tourist have preferred smaller marketers with lesser mineral resources and less attractive tourist potentials for their investment trends and travel. The Nigerian government attributes the inability of the country to attract sufficient foreign investments and tourist, in her vast potential, to the negative image of the country before the international community. The average Nigerian is perceived as a crime or fraudster any where he goes around the world while Nigeria and Nigerian are considered unsafe to do business with.

According to United Nations Conference on trade and development (UNCTAD: 2004)[6], at a public forum in Lagos, Nigeria, concluded that Nigeria's poor external image is denying it much needed foreign investment to accelerate its economic growth.

Nworah, (2006) [5], maintained that patronizing countries decision making is very difficult and complex because the cost of making mistake are prohibitive. A tourist will consider the security of his life which can never be compensated for, and value his money. The investor will also consider the security of his huge investments and the possible rate of return on such investments in that country compared to other countries. Thus, the investor trader or tourist will seriously consider the political, social and economic stability of a country before making her a destination.

**Summary of the study**

This study was conducted to determine the effect of foreign direct investment on tourism and economic stimulation in Nigeria. To give the study a focus, one research question was posed based on the identified independent variable of foreign direct investment on tourism and economic stimulation in Nigeria.

The research question was transformed into a null hypothesis, which then directed the entire study. It was therefore recommended among others that to truly correct the negative image of Nigeria as a nation, the federal government should enhance projects aimed at laundering the image of the country by dealing with brand eroders including insecurity, corruption, poverty, illiteracy and false electoral process among others.

**CONCLUSION**

On the basis of statistical analysis of the null hypothesis formulated for this study, the following conclusions which could be regarded as an addition to knowledge bank were obtained.

There is significant influence of foreign factor such as direct investment on tourism and economic stimulation on Nigeria.

**Recommendation**

Based on statistical revelation of the null hypothesis that guided the study, as well as the conclusion of the study, the following recommendation was made:

- i. With respect to influence of foreign factors, the government should educate Nigerians through the media that is through television and radio on how to be proud of their nation both at home and abroad.

**Suggestions**

This same research topic and other issues could further be researched into, but involving a wider research area (like senatorial districts, or a whole state) with a larger population and representative sample for a better generalization of results and findings.

The issue of security challenges and Northern Government of Nigeria agitations for power could be researched as an area of interest.

**REFERENCES**

- [1] National Scholar Editorial (2012). <http://www.asuunigeria.org>
- [2] Jegede, S.B (2012) Challenges of Nation Building whither Nigeria? The National Scholar, Ibadan; <http://www.asuunigeria.org>.
- [3] Research Journal of International Studies: Issue (June, 2011: 24).
- [4] Frost, R. (2004) Mapping a country's Future Retrieve from <http://www.brandchannel.com/featurex-effect-asp> on 29/9/10.
- [5] Nworah, U. (2006) Rebranding Nigeria Critical Perspective on the hearts of African Image. Project Retrieved from <http://www.brandchannel.com/images/papers/40on2Q/9/10>
- [6] United Nations Conference on Trade and Development (UNCTAD) 2004
- [7] Sackey, Jacob Acquah et al; Arch. Appl.Sci. Res., 2013,5(5):20-27