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*Review Article*

# A Systematic Investigation on The Impact of Investment on Economic Growth in Contemporary Nigeria

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***ABSTRACT:*** ***Developing countries including Nigeria are trapped in the vicious circle of low investment instigated by inadequate domestic savings resulting to low capital formation. Given the importance of investment on economic growth, the study investigated a systematic impact of investment on economic growth in contemporary Nigeria utilizing annual data from 1980 to 2022. Preliminary tests such as descriptive statistics, correlation matrix, the ADF unit root test, granger causality test and bound test were carried out. The outcome of the ADF unit root test showed that some of the variables were stationary at order zero I(0) and others at first difference I(I), therefore, the autoregressive distributed lag (ARDL) model was adopted. Findings showed that there is a compelling cointegrating relationship among the variables, it also showed that real interest rate (RINT), ratio of export to GDP (RXGDP) and log of employment LOG-(EMPL) have a significant positive impact on investment in a long run, whereas domestic debt to revenue (RDDR) retarded investment in the long run ceteris paribus. Furthermore, the short-run results revealed that real interest rate (RINT), ratio of export to GDP (RXGDP) has positive impact on investment. In contrast, the first lag of INFL, Ratio of domestic debt to revenue (RDDR) and Log of employment (EMPL) all have negative impact on investment all other things been equal. Hence, this study recommends that government should increase its investment in order to boost the economy and bring about prosperity both in the long and short run.***

***KEYWORDS:*** ***ARDL, Investment, Economic-Growth, GDP, RDDR, RXGDP, Employment, Contemporary Nigeria.***

## INTRODUCTION

Nigeria has navigated a complex economic landscape over the past four decades. The country's economic journey has been marked by periods of boom and bust, influenced by a range of factors, including investment. Investment is a significant component that determines economic growth in both developed and developing economies. Nigeria requires substantial investment in promoting and enhancing economic activities that guarantee better living conditions of the Nigerians. Investment comprises the acquisition of new capital equipment, such as buildings, machinery, roads, and other industrial tools that increase the economy's potential for production. By enabling the adoption of contemporary manufacturing techniques, promoting innovation, technology transfer, and increasing a nation's production efficiency, it plays a crucial part in its economic development. As they move toward economic growth,

several economists believe that investment is a key component in raising productivity through advancing technical advancement and lowering unemployment (Kinyanjui *et al*., 2022). Nonetheless, changes in investment have a big effect on overall demand.

According to Osuka *et al*. (2022), investment includes both international and local elements and can be further divided into four categories: foreign portfolio investment (FPI), foreign direct investment (FDI), government investment, and private investment. The government and public businesses invest in real estate, buy properties, and acquire tangible assets through domestic public investment. On the one side, public investment is the money spent on infrastructure, such as markets, communications networks, roads, and energy, to facilitate the efficient operation of economic activity. On the other hand, it is the provision of fundamental social amenities to make life easier for businesspeople and women, such as the construction of schools, the supply of water and sewage, the cost of housing and healthcare, etc. Accordingly, this type of investment increases output, draws in private funding, and generates jobs (Ogwumu *et al*., 2024). Private investment, on the other hand, describes an economy in which private individuals own the financial and material resources and production choices are motivated by the desire to turn a profit. Private investment has the capacity to increase the economy's production and efficiency if the government creates favorable conditions for her investment and implements sound policies (Babu *et al*., 2020). Thus, both public and private investment are essential for economic expansion.

When the economy is faced with recession, the government inject money into the economy in form of investment. But when confronted with cash crunch, government shields itself by borrowing both locally and internationally, print the naira, increase interest rate or crash the exchange rate in order to raise money to invest to revamp the economy (Abidoye, 2015). Although, there has been steady increase in investment in Nigeria, for instance, the average investment/GDP ratio of the country from 1981 to 1985 was 4.9 percent, it increased to 5.02 percent between 1986 to 1990, and 5.34 percent from 1991 to 1995 respectively. It reduced to 3.8 percent from 1996 to 2000 and increased to 21.9 percent between 2001 and 2005 and slightly decreased between 2006 and 2010 to 20.6 percent, this was perhaps because of global economic meltdown that ravaged the globe around this time. It decreased further to 15.4 percent from 2011 to 2015, and this conceivably was due to a fall of crude oil price at the international market, and finally stood at 11.5 percent in 2020 (World Development Indicator 2022). No doubt, this fluctuation in investment posed a negative trend to economic growth and development in Nigeria.

Against this backdrop, this study investigates the impact of investment on economic growth in contemporary Nigeria from 1980 to 2022. This period is significant, as it spans multiple economic reforms, political transitions, and changes in investment landscapes. By examining the relationship between investment and economic growth, this research aims to uncover the dynamics that have shaped Nigeria's economic experience over the past four decades.

## LITERATURE REVIEW

*Conceptual Literature*

A rise in capital expenditures, such as purchasing new machinery, constructing factories and infrastructure, etc., is conceptually referred to as investment. An economy's level of capital stock is increased through investment so that the rate of supply growth equals the rate of capital stock growth. Conversely, economic growth is the process through which the economy's

productive capacity rises over a specified time period, raising the level of national income. A rise in the national capital stock, a rise in the labor force, an increase in the income level, and an increase in trade and consumption are all indicators of economic growth. Changes in material production over a relative time period, often one year, are included in economic growth.

*Empirical literature*

The Solow-Swan neoclassical growth model is used in this study as a framework to examine the connection between investment and economic growth. Swan (1956) and Solow (1956) have significantly advanced our knowledge of the variables affecting the rate of economic growth in different nations. The neoclassical paradigm of Solow (1956) and Swan (1956) states that new concepts and technologies, along with rising labor and capital inputs, are the sources of growth. Growth is only momentarily accelerated by a persistent increase in capital investment since it raises the capital-to-labor ratio. When an economy returns to a long-term growth path, real GDP grows at the same pace as workforce growth plus a factor to reflect increased productivity. However, the marginal output of new units of capital may fall (there are diminishing returns). When labor, capital, and output all increase at the same rate, producing constant output and capital per worker, this is known as a "steady state growth path." According to neo-classical economists, raising the trend rate of growth requires both improved labor and capital productivity levels as well as an expansion of the labor supply. The Solow (1956) and Swan (1956) model states that when a poorer nation overtakes a richer one, catch-up growth takes place. This is often because countries with faster rates of growth have greater marginal rates of return on capital invested. The middle-income trap, which arises when developing economies find it difficult to sustain growth and rising per capita incomes beyond a certain point, is one of the reasons why the Solow-Swan model predicts some convergence of living standards (as measured by per capita incomes). However, the extent of this convergence is debatable.

*Data Collection & Analysis*

A study on a comprehensive analysis of investment indicators on Nigeria's economic growth between 1981 and 2020 was carried out by Yusuf (2023). The autoregressive distributed lag (ARDL) model was used as the analysis approach in this study, and the findings showed that the variables under investigation have a co-integrating connection. The findings also indicated that while foreign direct investment, capital expenditure, and inflation rate have a long-term negative effect on growth, private sector credit, domestic investment, economic liberalization, foreign portfolio investment, and interest rate all significantly improve long-term growth. Maruf and Masih (2019) examined the symmetric or asymmetric link between infrastructure and economic growth from 1990 to 2016. ARDL was used as the study's methodology. The findings indicated a symmetric link in the near term but an unbalanced association in the long term between infrastructure and economic growth. In order to support the progress of the Indonesian economy, the study suggests increasing investment in the infrastructure sector. The report also exhorts policymakers to create a strong infrastructure policy that will direct the nation's economy and infrastructure in the near and far future.

Between 1990 and 2017, Keita and Baorong (2021) investigated the relationship between economic growth and foreign direct investment, using empirical data from Guinea. At a one percent significance level, the study's findings demonstrated that foreign direct investment has a long-term favorable impact on Guinea's economic development. According to the results, a

one percent increase in foreign direct investment per GDP results in a 0.45 percent rise in the GDP growth rate. It was suggested that in order to foster economic growth in the nation, the government should grant access to international investors.

Marcus and Vale (2022) looked into the connection between private and public investments and how each influences economic expansion. The study used 39 developing nations from 1990 to 2017 and used the panel data method of analysis. The neoclassical or exogenous growth models, which maintain that labor, capital accumulation, land, and technology are all critical components of economic growth, served as the foundation for the study. The study found that compared to private investment, public investment has a greater favorable effect on economic growth. It was discovered that government final consumer spending, labor growth, and gross capital formation were all relevant in understanding economic growth. All things considered, both public and private investments are essential to the economic development and progress of developing nations.

The direct employment effects of investments in vital infrastructure, including roads, schools, hospitals, water, sanitation, and power, were not sufficiently examined by Moszoro (2021). utilizing 19 years' worth of rich level panel data from 41 nations. According to estimates, direct employment benefits alone may generate over seven million new jobs globally with a 1% increase in global GDP investment.

Investment has been regressed against economic growth based on the body of existing literature. This study aims to demonstrate that the relationship between investment and economic growth is bi-directional, meaning that investment can influence economic growth in the same way that economic growth can influence investment. This is because economic growth is a one-way function of investment. In light of this, our model was developed.

## RESEARCH METHODOLOGY

The study used a descriptive research methodology and a quantitative approach to provide empirical answers to this inquiry. The primary data collecting source for this study was secondary sources. The World Development Indicator, the National Bureau of Statistics publication, the Central Bank of Nigeria Statistical Bulletin, the Central Bank of Nigeria Annual Report and Statements of Accounts, and other sources provided pertinent data for this study. Annual data collection took place between 1986 and 2022.

*Model Specification*

Following the theory and empirical literature reviewed, a linear regression model was formulated to determine the impact of investment on economic growth. The model is formulated thus:

$$\text{INV} = \alpha_0 + \alpha_1 RINT + \alpha_2 RXGDP + \alpha_3 INFL + \alpha_4 RDDR + \alpha_5 EMPL + U_1 \quad \ldots (1)$$

$$Log\text{INV} = \alpha_0 + \alpha_1 RINT + \alpha_2 RXGDP + \alpha_3 INFL + \alpha_4 RDDR + \alpha_5 logEMPL + U_1 \quad \ldots (2)$$

Where:

INV = Investment measured as gross capital formation in billions of Naira

RINT = Real Interest rate measured by the reported real lending interest rate adjusted for inflation as measured by the GDP deflator.

INFL = Inflation is measured by the consumer price index.

RXGDP = Ratio of export – GDP, measured by the gap between exports and imports also called the trade balance.

GDP = Gross domestic product measured by real GDP over the period of time in billions of Naira.

RDDR = Ratio of domestic debt-revenue measured by debt sustainability, which is expressed as a proportion of debt over income

EMPL = Employment is measuring as working age - population with a paid job.

$\alpha_1$, $\alpha_2$, $\alpha_3$, $\alpha_4$, $\alpha_5$ = the parameters to be estimated

$\alpha_0$= Constant intercept

U = Stochastic error term

## RESULT ANALYSIS

*Estimation techniques*

This study adopted the ARDL method of analysis. The ARDL tests which were used include:

*Data presentation, analysis of result and discussion of findings*

There were two sections to this section: The sample's initial analysis using descriptive statistics is covered in the first part. Correlation analysis between the explained and explanatory factors is presented in the second section.

*Descriptive statistics*

Table 4.1 present the descriptive statistics on the macroeconomic variables captured in INV equation. The main aim was to examine the underlying characteristics of the dataset used for empirical analysis. Table 4.1 showed the mean value for LINV, RINT, RXGDP, INFL, RDDR, and LEMPL to be 3.28, 2.66, 0.04, 19.51, 528.77, and 2.47 respectively. the maximum values of the variables are 4.01, 18.18, 0.074, 72.84, 13184.69, and 2.49 for LINV, RINT, RXGDP, INFL, RDDR, and LEMPL respectively, while their corresponding minimum values are 2.70, -31.45, 0.008, 5.38, -9406.82, and 2.43 respectively holding other things constant.

**Table 4.1: Summary Statistics for INV Equation**

| Variable | Obs | Mean | Std.Dev | Min | Max |
|---|---|---|---|---|---|
| LINV | 37 | 3.282591 | 0.466690 | 2.701623 | 4.006434 |
| RINT | 37 | 2.656264 | 9.872576 | -31.45257 | 18.18000 |
| RXGDP | 37 | 0.041114 | 0.017839 | 0.008214 | 0.074259 |
| INFL | 37 | 19.51274 | 17.31182 | 5.382224 | 72.83550 |
| RDDR | 37 | -528.7657 | 3751.319 | -9406.820 | 13184.69 |
| LEMPL | 37 | 2.469241 | 0.017338 | 2.433087 | 2.492627 |

*[Source: Author's computation, 2024]*

*Correlation matrix*

The result of the correlation matrix presented in table 4.1.2 indicates that while relationship exist between the variables used in the equation of this study, such relationships are not perfect. This means that none of the variables are perfectly collinear.

**Table 4.2: Correlation matrix for INV**

| | LINV | RINT | RXGDP | INFL | RDDR | LEMPL |
|---|---|---|---|---|---|---|
| **LINV** | 1.000000 | | | | | |
| **RINT** | -0.431657 | 1.000000 | | | | |
| **RXGDP** | 0.207804 | -0.262012 | 1.000000 | | | |
| **INFL** | 0.393642 | -0.769632 | 0.175795 | 1.000000 | | |
| **RDDR** | 0.082508 | 0.046697 | 0.381903 | -0.021985 | 1.000000 | |
| **LEMPL** | 0.789645 | -0.422348 | 0.139540 | 0.399580 | 0.164245 | 1.000000 |

*[Source: Author's computation, 2024]*

*Presentation and analysis of econometric results*

The results of the panel unit root tests conducted using the ADF panel unit root test is shown in table 4.3. Table 3 shows that out of the six variables used in the study, two of them being INFL and RDDR were stationary at level. This means that these variables have no unit root at their nominal level. The rest of the variables, that is, LINV, RINT, RXGDP and LEMPL, were stationary after first difference; this means these variables have unit root at their nominal levels and they require differencing for them to be stationary. The conclusion of the panel unit root test result shows mixed stationarity of the variables.

*Unit root result presentation (ADF)*

**Table 4.3: Shows the results of the panel unit root tests conducted using the ADF panel unit root test**

| Variable | LEVEL | 1ST DIFF | ORDER |
|---|---|---|---|
| **INV** | -1.0434<br>(0.7270) | -6.4262<br>(0.0000) | I(1) |
| **RINT** | -2.3703<br>(0.1575) | -4.7273<br>(0.0006) | I(1) |
| **RXGDP** | -1.8728<br>(0.3408) | -12.0738<br>(0.0000) | I(1) |
| **INFL** | -3.4562<br>(0.0155) | -5.3316<br>(0.0001) | I(0) |
| **RDDR** | -2.9646<br>(0.0480) | -8.4437<br>(0.0000) | I(0) |
| **EMPL** | -1.6332<br>(0.4557) | -6.3020<br>(0.0000) | I(1) |

*[Source: Author's computation, 2024]*

*Presentation of result for investment (INV) equation*

Granger causality result for investment equation:

From the granger causality result presented in table 4.4, there exist a one-way causality between independent variables (RINT, RXGDP and INFL) and the dependent variable investment (LINV). More so, the causality run from real interest rate (RINT), ratio of export to GDP (RXGDP) and inflation rate (INFL) to investment respectively

**Table 4.4: Presents the granger causality result**

| Null hypothesis | Obs | F-stat | Prob |
|---|---|---|---|
| RINT does not Granger Cause INV | 35 | 0.40670 | 0.6695 |
| INV does not Granger Cause RINT | | 2.48392 | 0.1004 |
| RXGDP does not Granger Cause INV | 35 | 2.11771 | 0.1379 |
| INV does not Granger Cause RXGDP | | 3.35317 | 0.0485 |
| INFL does not Granger Cause INV | 35 | 1.95151 | 0.1597 |
| LOG(INV) does not Granger Cause INFL | | 3.99769 | 0.0289 |

*[Source: Author's computation, 2024]*

*Bound test for investment (INV) equation*

There is a long-term association between the variables, according to the bound test result shown in table 4.5. This is because, at the five percent level of significance, the F-statistics estimate of 9.148728 is higher than the upper bound estimate of 3.79 and the lower bound estimate of 2.62.

**Table 4.5: Shows a long-term association between the variables as per the bound test result**

Null Hypothesis: No long-run relationships exist

| Test Statistic | Value | K |
|---|---|---|
| F-statistic | 9.148728 | 5 |

Critical Value Bounds

| Significance | I0 Bound | I1 Bound |
|---|---|---|
| 10% | 2.26 | 3.35 |
| 5% | 2.62 | 3.79 |
| 2.5% | 2.96 | 4.18 |
| 1% | 3.41 | 4.68 |

*[Source: Author's computation, 2024]*

*Long run result for investment (INV) equation*

From the result estimated and shown in Table 4.6, it is found that all the explanatory variables were consistent with a priori expectation. This implies that a unit increase in real interest rate (RINT), ratio of export to GDP (RXGDP), and inflation rate (INFL) will lead to an increase of about 0.1856 units, 0.6555 units, and 0.1006 units in investment in Nigeria respectively ceteris paribus. Also, the result showed that a one percent increase in log of employment LOG-(EMPL) resulted in a 11.1746 percent increase in investment. The result further revealed that a unit increase in ratio of domestic debt to revenue (RDDR) will lead to a decrease in investment by about 0.55 percent, all other things been equal.

Judging from the probability values of 0.0372, 0.0277 and 0.0328 for RINT, RXGDP and LOG(EMPL) respectively show that they are statistically significant because their probability values are respectively less than five percent (0.05) level of significance. On the other hand, the probability values for INFL is 0.1263 while that of RDDR is 0.3780; this shows that they are not statistically significant because they are greater than five percent level of significance.

**Table 4.6: Shows the long run investment result**

Long Run Coefficients

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| RINT | 0.185595 | 0.119316 | 2.555486 | 0.0372 |
| RXGDP | 0.655512 | 15.976415 | 3.041030 | 0.0277 |
| INFL | 0.100600 | 0.062759 | 1.602967 | 0.1263 |
| RDDR | -0.551000 | 0.000061 | -0.903812 | 0.3780 |
| LOG(EMPL) | 11.174612 | 10.992022 | 4.016611 | 0.0328 |
| C | -27.63685 | 26.322153 | -1.049947 | 0.3076 |

*[Source: Author's computation, 2024]*

*Short-run ARDL result for investment (INV) equation*

Table 4.7 displays the parsimonious error correction result of the investment equation based on the autoregressive distributed lag (ARDL) approach. The short-run dynamics result indicated that the error correction variable is fractional, is statistically significant in accordance with theoretical expectations, and has the expected negative coefficient (P-value = 0.0490). About 95% of the systemic disequilibrium in the investment variable was adjusted annually, according to its coefficient of -0.9468. This indicates a rapid transition from short-term disequilibrium to long-term equilibrium with an adjusted R-square (R2) of 0.69, the independent factors account for roughly 69% of the variation in the dependent variable. This suggests that the explanatory power of the model is moderate.

One may conclude that there is no issue with serial correlation in the model based on the Durban-Watson value of 1.99. The real interest rate (RINT) and investment have a positive association, according to the evaluation of the short-run coefficients. According to theory, a one percent increase in the real interest rate will result in a 0.05 increase in investment, ceteris paribus, as indicated by the coefficient of 0.52. Given that its probability value of 0.01 is below the 0.05 level of significance, the variable is statistically significant. The outcome also demonstrated a favorable correlation between investment in Nigeria and the first lag of the real

interest rate. Given that its coefficient is 0.32, this is again in line with a priori assumptions. This suggests that, if all other factors remain constant, a one percent increase in the first lag of the real interest rate will result in a 0.32 percent increase in investment during the current period. Since the variable's P-value of 0.0840 is higher than the 0.05 level of significance, the statistical test indicates that the first lag of the real interest rate has no discernible impact on investment.

Investment and the export-to-GDP ratio (RXGDP) are positively correlated. Its coefficient of 3.01 indicates that, ceteris paribus, a one percent increase in RXGDP will result in a 3.01 percent increase in investment, which is consistent with theoretical hypotheses. Given that the P-value of 0.0023 is below the 0.05 level of significance, RXGDP is statistically significant. Investment and the initial lag of RXGDP are positively correlated. This indicates that, ceteris paribus, an increase of one percent in the first lag of RXGDP will lead to a 1.69 percent increase in investment in the current period. However, while its P-value of 0.0641 is greater than the 0.05 level of significance, the lag of RXGDP is not statistically significant.The inflation finding indicated that there is a negative correlation between investment in Nigeria and the first lag of inflation. Given that its coefficient is -0.220, this is in line with a priori predictions. This suggests that, ceteris paribus, a one percent increase in the INFL's initial lag will result in a 0.22 percent drop in investment.

Investment and the ratio of domestic debt to revenue (RDDR) are negatively correlated. Its value of -0.261 indicates that, ceteris paribus, a one percent increase in RDDR will result in a 0.261 percent decrease in investment, which is consistent with theoretical hypotheses. However, because its P-value of 0.5057 is more than the 0.05 criterion of significance, RDDR is not statistically significant. However, the first RDDR lag is more significant. As predicted a priori, it has a negative relationship with investment. With a value of -0.143, it indicates that, assuming all other factors remain constant, a one percent increase in the RDDR over a one-year period will result in a 0.0143 percent decline in investment in Nigeria. However, because its P-value of 0.149 is more than the 0.05 level of significance, one RDDR lag is not statistically significant. Investment and log of employment (EMPL) are negatively correlated. However, this does not match the a priori expectation. Ceteris paribus, a one percent increase in the log of EMLP will result in a 6.3985 percent decrease in investment, according to the coefficient of -6.3985. However, because EMPL's P-value of 0.0002 is below than the 0.05 percent criterion of significance, it is statistically significant.

**Table 4.7: Short-run ARDL result for INV equation**

Dependent Variable: LOG(INV)
Selected Model: ARDL (2, 2, 2, 2, 2, 1)
Date: 09/03/23 Time: 08:45
Sample: 1986 2022
Included observations: 35

Cointegrating Form

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| DLOG(INV(-1)) | -0.415821 | 0.133241 | -3.120827 | 0.0059 |
| D(RINT) | 0.521170 | 0.001991 | 2.620628 | 0.0173 |

| | | | | |
|---|---|---|---|---|
| D(RINT(-1)) | 0.320092 | 0.001691 | 1.829297 | 0.0840 |
| D(RXGDP) | 3.016698 | 0.850420 | 3.547302 | 0.0023 |
| D(RXGDP(-1)) | 1.686067 | 0.854906 | 1.972225 | 0.0641 |
| D(INFL) | 0.212221 | 0.001232 | 0.991019 | 0.3348 |
| D(INFL(-1)) | -0.220023 | 0.010110 | -1.002363 | 0.0605 |
| D(RDDR) | -0.261002 | 0.120003 | -0.679145 | 0.5057 |
| D(RDDR(-1)) | -0.143000 | 0.026003 | -1.507530 | 0.1490 |
| DLOG(EMPL) | -6.398591 | 1.384313 | -4.622215 | 0.0002 |
| CointEq(-1) | -0.946800 | 0.041534 | -2.798061 | 0.0490 |

| | |
|---|---|
| R-squared | 0.835433 |
| Adjusted R-squared | 0.689152 |
| Durbin-Watson statistic | 1.998092 |
| F-statistic | 5.711141 |
| Prob (F-statistic) | 0.000332 |

*[Source: Author's computation, 2024]*

## DISCUSSION OF FINDINGS

While the correlation matrix shows that there is no strong link between the variables used in the investigation, the descriptive statistics result shows the characteristics of the data utilized in the study. This indicates that the projected outcomes accurately reflect the study's parameters. Some of the variables are integrated of order one, while others are integrated of order zero or at level, according to the unit root result. The autoregressive distributed lag model was chosen for study in light of the unit root test results. According to the Granger causality result, Nigeria's economic growth, investment, and domestic debt are all causally related in a unidirectional manner.

The study's conclusions showed that the estimated export-to-GDP ratio was in line with what was predicted to happen beforehand. This suggests that, ceteris paribus, an increase in investment in Nigeria will follow a unit increase in the export-to-GDP ratio (RXGDP). This indicates that one of the factors influencing aggregate demand is the rise in net exports relative to gross domestic product; hence, a shift in net exports causes the aggregate demand curve to move to the right and has an immediate impact on real GDP. A decrease in net exports lowers investment, economic growth, and aggregate demand, all other factors being equal. This outcome is in line with Rabnawaz and Jafar's (2016) findings. The authors of the study examined how investment affected Pakistan's economic growth between 1980 and 2009. According to the authors, there is a long-term positive correlation between investment and the export to GDP ratio. GDP and investment in the economy will rise in tandem with an increase in exports.

The results also showed that, assuming all other factors remain constant, a one-unit increase in the domestic debt to revenue (RDDR) ratio will result in less investment. Investment was found to be negatively impacted by domestic debt over the long term, but not in the near term. This indicates that while domestic debt may have a short-term positive impact on investment and growth, it will eventually result in debt overhang if the repayment schedule exceeds the ability to pay, and eventually the interest rate will surpass the principal and the effect will turn negative. This finding is in line with Krugman's (1988) debt overhang theory.

## CONCLUSION

The impact of investment on economic growth in contemporary Nigeria is significant, playing a pivotal role in driving development and addressing the country's economic challenges. Investment, particularly in key sectors such as infrastructure, energy, agriculture, and technology, stimulates productivity, creates jobs, and enhances the overall standard of living. Both domestic and foreign investments contribute to building critical infrastructure, improving industrial capacity, and fostering innovation. Foreign Direct Investment (FDI), for example, provides capital, technology transfer, and managerial expertise, which boosts Nigeria's economic output. However, the effectiveness of these investments is often hampered by issues such as political instability, corruption, and inadequate infrastructure. To maximize the impact, Nigeria needs to implement policies that create a stable investment climate, improve governance, and ensure the efficient allocation of resources. In recent years, reforms aimed at diversifying the economy away from oil dependency have highlighted the importance of sustained investment for long-term growth, with sectors like agriculture and information technology showing promise for enhancing the country's economic resilience.

Nigeria's future development depends on its ability to comprehend how investment affects economic growth as it works to diversify its economy, lessen its reliance on oil exports, and achieve sustainable economic growth. The results of this study will give scholars, investors, and politicians important information that will help them create economic growth policies and successful investment plans for Nigeria. Therefore, this study suggests that the government should invest more to stimulate the economy and create prosperity in the near and far future.

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