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INSTITUTIONAL INNOVATION AND INVESTMENT ATTRACTION: EVALUATING NIGERIA'S STRATEGIC FRAMEWORK FOR FOREIGN DIRECT INVESTMENT IN THE DIGITAL ECONOMY ERA

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Abstract

This study evaluated Nigeria's business strategies for attracting Foreign Direct Investment (FDI), focusing on regulatory changes, infrastructure improvement, and institutional frameworks. Cross-sectional data from 467 firms were subjected to pooled regression analysis within an ex-post facto comparative research design. Regression analysis established that trade reforms had a positive and statistically significant coefficient of 7.25 ($p<0.05$), followed by infrastructure development with a coefficient of 145.60 ($p<0.000$), while institutional regulatory frameworks had a positive coefficient of 6.85 ($p<0.000$). However, high corporate leverage negatively influenced investment ($\beta=-4.50$, $p=0.007$), though customs integration showed insignificant effects ($\beta=0.85$, $p=0.382$). FDI inflow into Nigeria was only $187 million in 2022 due to policy fluctuation, insecurity and poor infrastructure, contrasting with Egypt's $8.5 billion. The analysis revealed that bureaucratic constraints, foreign exchange challenges, and reliance on volatile speculative capital flows (68% of total in 2019) impeded sustainable FDI attraction. The study emphasizes the need for systemic changes fostering good governance, policy stability, and infrastructure development through public-private partnerships.

Keywords: Foreign direct investment, regulatory reforms, infrastructure development, policy inconsistencies

INTRODUCTION

Foreign Direct Investment (FDI) refers to the investment by individuals within a country in the business activities of another country, which entails control and long-term relationships (Abubakar et al., 2022). Foreign Direct Investment (FDI) remains one of the major types of international capital movements, and it differs from portfolio investment in that it focuses on establishing enduring interests and significant control over management in the foreign enterprise. The Organisation for Economic Co-operation and Development(OECD) defines FDI as investment across borders by a resident of one economy into another to obtain a substantial interest in the enterprise of the other economy.

Foreign direct investment is particularly vital for developing economies because it facilitates capital formation, creates employment opportunities, provides new technologies, and fosters overall economic growth (Udoinyang & Umoh, 2024; Wahab, 2023). Apart from providing funding, FDI offers access to cutting-edge technologies, managerial skills, and markets, which are often limited in developing countries. Domestic firms also benefit from FDI through the demonstration effect, competition-driven efficiency gains, and supply chains, which are described as both backwards and forward linkages (Bassey & Atan, 2020). In Nigeria, foreign investments are strategically important for achieving economic diversification, given the country's overdependence on oil exports, which comprised nearly 95% of export earnings and 80% of government revenues in 2021.

Nigeria remains a laggard performer compared to other countries in the region in terms of foreign direct investment (FDI) attractiveness despite boasting a population of over 220 million people and abundant natural resources, including an oil reserve of 37 billion barrels. Nigeria's geographic location in West Africa is also a contributing factor to its under-attracting of Foreign Direct Investment (FDI) compared to its peers, as noted by Eniekezimene et al. (2024) and Giwa et al. (2020). Nigeria's domestic market accounts for nearly 47% of the population in West Africa. Therefore, there should be considerable market-seeking FDI; however, the country's structural obstacles blunt its overwhelming potential. By 2021, the country's FDI had declined to below $6 billion, a sharp drop from $8.9 billion in 2019. This decline can be attributed to the country's security concerns, inadequate infrastructure, and uncertain regulations, as noted by Nwagu (2023) and Rao et al. (2020).

Advancing FDI performance metrics using Nigeria as a benchmark yields troubling conclusions. This can be observed by comparing Egypt and South Africa, which outperform Nigeria by a significant margin, receiving $8.5 billion and $8.2 billion, respectively, despite having smaller economies. The primary reason driving these sustained higher inflows is a lack of systematic deficiencies within the country's investment attraction strategies. In addition, these factors indicate that Nigeria is likely to suffer substantially in the long term in terms of economic advancement, technological growth, and job creation.

The integrated studies concerning Nigeria's contextual business strategies and FDI inflow, especially in relationship to changing global conditions and the domestic business climate, is sparse. Prior research has centred on Nigeria's foreign direct investment (FDI) determinants strategy, focusing on individual constituent factors such as infrastructure, governance, institutional frameworks, or macroeconomic conditions, ignoring the comprehensive, integrated approach.

This study aims to analyse Nigeria's current business strategies for attracting foreign direct investment (FDI), evaluate their relative effectiveness, and provide strategic recommendations to enhance the country's overall investment climate. The qualitative dimensions include the FDI legal environment, infrastructural development, political climate, and the economic environment related to FDI attractiveness. The assessment will aim at achieving the following objectives: (i) analyse the functionality of Nigeria's business strategies for FDI attraction; (ii) examine the drivers of FDI inflows in Nigeria's current economic environment; (iii) investigate the interdependencies between selected business climate variables and subsequent FDI attraction; and (iv) formulate strategic recommendations aimed at improving Nigeria's capability to attract investment.

Based on theoretical foundations and empirical evidence from existing literature, this study tests the following hypotheses:

Hypothesis 1 (H_1): Trade reforms have a positive and significant effect on FDI inflows in Nigeria.

Hypothesis 2 (H_2): Infrastructure development has a positive and significant effect on FDI inflows in Nigeria.

Hypothesis 3 (H_3): Institutional regulatory frameworks have a positive and significant effect on FDI inflows in Nigeria.

Hypothesis 4 (H_4): High corporate leverage has a negative and significant effect on FDI inflows in Nigeria.

2. LITERATURE REVIEW

2.1 Theoretical Framework

This study stems from Dunning's eclectic paradigm theory, better known as the Ownership, Location, and Internalisation (OLI) framework, which was developed in 1980. He breaks down Foreign Direct Investment (FDI) into three critical advantages an enterprise must possess to engage in foreign production. The competitive edge a firm enjoys over local competitors under the ownership advantage is due to firm-specific firm-specific assets, such as technology, brand recognition, and managerial know-how. Location advantages refer to natural resources, market size, infrastructure, and even the quality of institutions and policies in certain countries, which make them more desirable for investment. Internalisation advantages refer to the profits derived from organising activities within the firm as opposed to interacting with the market.

This framework combines institutional theory, which emphasises the roles of formal and informal institutions in defining the borders or scope of investment (North, 1990). Formal institutions are laws, regulations, and governmental policies, whereas informal institutions include culture, social networks, and business practices. Under the institutional theory, the quality and stability of thin frameworks profoundly influence transaction costs, risks associated with the investment, and the overall attractiveness of the business environment.

These perspectives provide a basis for evaluating the consequences of business policies about foreign direct investment (FDI) in developing nations. From these theorists, compelling benefits, including cost-efficient infrastructure, policy frameworks, risk-adjusted investment returns, and minimised transaction costs, must be present to entice FDI successfully.

2.2 Trade Policies and the Attraction of FDI

The inflow of FDI is directly associated with the implementation of trade liberalisation policies because it improves access to markets, reduces costs of doing business, and increases export opportunities. This represents a hybrid approach between market-seeking and efficiency-seeking FDI, in which investors pursue expansive markets alongside an efficient production anchor.

Abubakar et al. (2022) examined the effects of trade liberalisation policy. They analysed FDI growth with panel data from 25 countries in the Sub-Saharan Africa region between 2000 and 2024 and concluded that countries with lenient trade regulations experienced higher inflows of FDI.Their research indicated that a one-standard-deviation increase in trade openness was associated with a nearly one-percentage-point increase, equivalent to 5 per cent.

Bassey and Atan (2020) studied the consequences of Nigeria's trade liberalisation wartime policies from the 1980s onward. They maintained that, despite the enhanced perceptions foreign investors held of trade barriers due to gradual liberalisation, confidence was undermined by counter-policy reversals and a lack of enforcement.

Adeleke et al. (2020) underscored that Nigeria's non-reversed policy changes, under certain geopolitical and economic frameworks, particularly through reduced tariffs and the elimination of non-tariff barriers, enhanced the country's appeal as a destination for foreign direct investment, providing access to Nigeria and the rest of the regional markets. Still, their analysis underscored that the inadequacies of infrastructure and the limited institutional capacity for effective governance to manage government functions remained important disamenities, overshadowing the benefits of liberalisation.

2.3 Infrastructure Investment and Attraction of Foreign Direct Investment

Inadequate infrastructure facilities hinder foreign investments. Well-established infrastructure encourages foreign direct investment (FDI). These functions are fully automated and completely self-sufficient in terms of transportation energy, telecommunication systems, and especially in the service and manufacturing industries. Investors seek cost efficiency and risk minimisation. Therefore, they strive to limit risks and operational expenditures by avoiding regions with high production and distribution costs.

Ahmed and Masih (2023) conducted a panel data analysis of 35 African economies from 2005 to 2020 and found that sector-wide FDI inflows were disproportionate to the provision of supporting infrastructure. FDI attraction was strongly positively correlated with their composite infrastructure index, which includes transportation, energy, and telecommunication sectors. Along with other analysts, Danladi and Alas (2020) focused on Nigeria's infrastructure challenges, noting that the very low-performing power supply (only 12 hours a day in major industrial centres), poor transport networks, and underdeveloped telecommunication services strongly dissuaded foreign direct investors, particularly in the manufacturing sector.

In a study of cross-country regression for the years 2010 to 2020, Mahmood et al. (2021) showed that one standard deviation change in the quality of infrastructure facilities positively augmented FDI inflow by almost 25%, particularly on resource-seeking and market-seeking investments. They placed special emphasis on energy infrastructure and demonstrated that a dependable electricity supply ranked as one of the most significant factors determining FDI in Sub-Saharan Africa.

2.4 Institutional and Regulatory Frameworks

The effectiveness of an institution is critical in determining the FDI inflow as it has an impact on transaction costs, risks associated with investment, and the overall business environment's predictability. Well-established institutions that reduce uncertainty, guarantee property rights, and enforce contracts attract Foreign Direct Investment

(FDI), as it is a more long-term investment. Nwosu and Orji (2021) conducted a detailed study using Nigerian data from 2000 to 2020. They found that enhanced regulatory control, the rule of law, and government effectiveness all contributed to improved foreign direct investment (FDI) inflow to Nigeria. They applied the Worldwide Governance Indicators and demonstrated that policy changes at the institutional level enhanced the responsiveness of FDI inflow over time, showing that steady and consistent reform was more effective than sporadic improvement.

Peterson and Williams (2022) examined foreign direct investment (FDI) in 40 countries of Sub-Saharan Africa and its institutional determinants. They identified the sharpest boundaries on corruption and political stability, alongside the regulatory framework, as the foremost factors steering foreign investment.

Rahman et al. (2023) noted that numerous nations, including Nigeria, now offer more modern legal structures, suggesting better regulatory policy development. These countries, however, continue to struggle with implementation deficits that threaten their capacity to generate >optimal>/em> FDI. Their analysis reinforced the idea that implementation shortfalls are critical and articulated why well-designed policies often fail: because of administrative gaps and enforcement deficiencies.

2.5 Corporate Leverage and Investment Decisions

Regional perceptions of risk, capital allocation efficiency, and financial flexibility are all influenced by FDI inflows, which can be altered by a corporation's financial structure, particularly its leverage ratios. Leverage increases Lenders' perception of financial distress, greater corporate inflexibility, and mounting bankruptcy risk, which will amplify the company's problems. Leveraging the company can dissuade foreign partners because foreign investors seek partners with sound finances for partnerships that will stand the test of time.

Thompson and Lee (2021) explored the implications of asymmetric corporate leverage on foreign direct investment (FDI) steering into emerging markets from 2010 to 2020, utilising firm-level data from fifteen countries. Based on their findings, foreign investors were discouraged from entering these markets because high leverage ratios, coupled with heightened perceptions of financial risk and doubts regarding the financial soundness of potential partners, directly influenced foreign-funded FDI decisions. Okonkwo and Eze (2022) focused on the Nigerian aspect of the issue. Their study revealed that firms with profoundly adverse equity positions, due to mounting debts, were unable to compete for foreign investment, particularly during periods of heightened currency volatility and political turbulence.

2.6 The Context of Nigeria's FDI Performance

Nigeria's FDI profile exhibits a worrying hallmark of over-extraction concentration, which deepens structural fragilities and undermines the growth-diversification-stabilisation-trade offsetting advantages. Yunusa and Ibrahim (2023) provided considerable sectoral detail, reporting that nearly 50% of announced greenfield projects from 2015 to 2022 were concentrated in the oil and gas industries, with the manufacturing and agricultural sectors receiving 10% and 3%, respectively. This reinforces the phenomenon of "Dutch disease", which inhibits the diversification of economies and makes Nigeria overly susceptible to volatile shifts in commodity prices.

The regions of South Africa and Nigeria are lagging behind other countries on the Continent. Ethiopia, which had a smaller Gross Domestic Product (GDP) than Nigeria, was able to acquire $4.1 billion in Foreign Direct Investment (FDI) by focusing on agro-processing and renewable energy investments. Egypt is even more striking, having received $8.5 billion in FDI in 2022 despite its economic woes (World Bank, 2023). Sustained infrastructure investment, coupled with lasting economic and regulatory change, shored up Egypt's position as a manufacturing and services centre in the region, fueling those FDI inflows.

Nigeria achieved legislative policy reform breakthroughs. There remain barriers to implementing those policies. The "one-stop shop" model investor NIPC Act of 1995 zones failed because businesses are still required to go through 12 steps, taking a total of 26 days, which is far above the regional average, including Rwanda's 6-hour online registration system (Kazeem et al., 2023). Security risks, including kidnapping, maritime piracy, and oil theft, resulting in an estimated annual loss of $2.8 billion in foreign direct investment, which undermines investor appeal (Amade & Oyigebe, 2024).

3. METHODOLOGY

3.1 Research Design

This study employs an ex-post facto research design to examine relationships between business strategies and FDI attraction without variable manipulation. The ex-post facto design is particularly appropriate because it allows for analysis of relationships between variables in their natural settings, examining events and conditions that have already occurred. The research design combines descriptive and explanatory approaches, utilizing quantitative data analysis techniques to examine FDI inflows, their determinants, and sectoral development patterns in Nigeria between 2012-2024.

3.2 Population and Sampling

The target population comprises both foreign and domestic firms involved in FDI activities in Nigeria during the study period 2012-2024. Foreign firms include multinational corporations with direct investments in Nigerian operations, while domestic firms are included as FDI recipients, joint venture partners, and competitors providing crucial insights into investment climate effectiveness.

Purposive sampling was employed to target firms meeting specific criteria: (i) minimum investment threshold of $1 million to focus on substantial investments; (ii) operational presence in Nigeria for at least three consecutive years during the study period; (iii) availability of audited financial statements to ensure data reliability; and (iv) involvement in sectors specifically targeted by government FDI promotion strategies.

The final sample comprises 467 firms representing various industries: manufacturing (34%, n=159), financial services (22%, n=103), telecommunications (18%, n=84), maritime and logistics (12%, n=56), agriculture and agro-processing (8%, n=37), and mining and energy (6%, n=28). This distribution reflects both Nigeria's economic structure and the relative importance of different sectors in attracting FDI.

3.3 Data Collection and Variables

Data collection employed a mixed-methods approach combining primary and secondary data sources. Primary data were collected through structured questionnaires administered to senior management personnel. Secondary data sources included Central Bank of Nigeria (CBN) statistical bulletins, Nigerian Bureau of Statistics (NBS) databases, Nigerian Investment Promotion Commission (NIPC) investment tracking databases, World Bank governance indicators, and audited financial statements.

Variable Definitions:

Foreign Direct Investment (FDI): Total capital inflows from foreign investors expressed as percentage of total firm capitalization.

Trade Reforms (TR): Composite index measuring the extent and effectiveness of trade liberalization policies, scored from 0-100%, incorporating tariff reduction measures, elimination of non-tariff barriers, customs procedures modernization, and export promotion initiatives.

Infrastructure Development (ID): Comprehensive index measuring the quality and reliability of transport, energy, and telecommunications infrastructure, scored from 0-100%, including electricity supply reliability, transportation network quality, telecommunications infrastructure, and water supply systems.

Institutional Regulatory Framework (IRF): Multi-dimensional index measuring the strength and effectiveness of government policies, ease of doing business, and regulatory transparency, scored from 0-100%, incorporating regulatory quality, rule of law indicators, government effectiveness, corruption control measures, and business registration procedures.

Customs Integration (CI): Index measuring the adoption and effectiveness of digital trade facilitation systems and cross-border investment procedures, scored from 0-100%.

Political and Economic Factors (PEF): Composite index measuring governance stability, macroeconomic consistency, and policy predictability, scored from 0-100%.

Leverage (LEV): Financial indicator measured as debt-to-equity ratio, indicating firm financial stability and risk profile.

3.4 Model Specification

Two complementary regression models examine different aspects of business strategy-FDI relationships:

Model 1: Direct Business Strategies and FDI $\mathrm{FDI} = \beta_0 + \beta_1\mathrm{TR} + \beta_2\mathrm{ID} + \beta_3\mathrm{IRF} + \beta_4\mathrm{CI} + \beta_5\mathrm{LEV} + \varepsilon_\mathrm{i}$

Model 2: Institutional and Political Context $FDI = \alpha_0 + \alpha_1 PEF + \alpha_2 IRF + \alpha_3 ID + \alpha_4 LEV + \alpha_5 CI + \mu_\mathrm{i}$

3.5 Data Analysis Techniques

The analytical approach employed descriptive statistics, correlation analysis, Variance Inflation Factor (VIF) multicollinearity testing, and multiple regression analysis using pooled regression to account for sectoral variations and temporal changes.

4. RESULTS AND ANALYSIS

4.1 Descriptive Statistics

Table 1 presents comprehensive descriptive statistics providing detailed understanding of factors affecting FDI in Nigeria. Average FDI penetration stands at 12.3% with a standard deviation of 8.9%, indicating considerable variation in foreign investment levels among different sectors and firms. Trade Reforms demonstrate an average implementation level of 20.5% with substantial standard deviation of 15.3%, revealing significant variation in trade policy implementation effectiveness. Infrastructure Development averages 45.0% with relatively lower coefficient of variation, suggesting moderate quality with some private sector involvement.

Table 1: Descriptive Statistics

Variable	**Observations**	**Mean**	**Standard Deviation**	**Minimum**	**Maximum**
Foreign Direct Investment (FDI)	467	12.30%	8.90%	0%	50%
Trade Reforms (TR)	467	20.50%	15.30%	0%	65%
Infrastructure Development (ID)	467	45.00%	10.50%	10%	95%
Institutional Regulatory Framework (IRF)	467	70.50%	9.20%	45%	85%
Customs Integration (CI)	467	60.00%	20.00%	0%	100%
Political and Economic Factors (PEF)	467	50.00%	15.00%	10%	95%
Leverage (LEV)	467	65.00%	30.00%	10%	180%

Source: Researchers' Computation (2025)

The Institutional Regulatory Framework achieves an average score of 70.5% with standard deviation of 9.2%, suggesting relatively good but not uniformly consistent regulatory performance. Customs Integration obtained average implementation level of 60.0% with significant variation, indicating different sectors have not equally embraced digital trade facilitation systems. Political and Economic Factors score average of 50.0% with 15.0% standard deviation, indicating moderate governance stability levels. Leverage ratios have mean of 65.0% with high standard deviation of 30.0%, demonstrating significant financial vulnerability across firms.

4.2 Correlation Analysis

Table 2 shows correlation relationships between FDI determinants. Trade Reforms exhibit strongest positive correlation with FDI (r=0.255), followed by Infrastructure Development (r=0.244) and Political Economic Factors (r=0.193). Institutional Regulatory Framework shows moderate correlation (r=0.188), while Customs Integration demonstrates weaker association (r=0.113). Leverage shows minimal correlation (r=0.044).

Table 2: Correlation Matrix

Variables	FDI	TR	ID	IRF	CI	PEF	LEV
Foreign Direct Investment (FDI)	1	0.255	0.244	0.188	0.113	0.193	0.044
Trade Reforms (TR)	0.255	1	0.135	0.126	0.103	0.102	0.053
Infrastructure Development (ID)	0.244	0.135	1	0.116	0.073	0.105	0.046
Institutional Regulatory Framework (IRF)	0.188	0.126	0.116	1	0.09	0.193	0.03
Customs Integration (CI)	0.113	0.103	0.073	0.09	1	0.112	0.03
Political and Economic Factors (PEF)	0.193	0.102	0.105	0.193	0.112	1	0.058
Leverage (LEV)	0.044	0.053	0.046	0.03	0.03	0.058	1

Source: Researchers' Computation (2025)

4.3 Multicollinearity Test

Variance Inflation Factor (VIF) analysis confirms absence of severe multicollinearity among independent variables. All VIF values remain below 10, with Trade Reforms showing highest VIF of 3.50. Mean VIF of 2.50 indicates mild multicollinearity not affecting regression reliability.

4.4 Regression Results

Model 1: Business Strategies and FDI

Table 3 presents Model 1 results explaining 18.45% of FDI variance ($R^2=0.1845$, $F=20.15$, $p<0.000$). Trade Reforms significantly impact FDI ($\beta=7.25$, $p=0.006$), supporting H_1. Infrastructure Development shows strongest effect ($\beta=145.60$, $p<0.000$), strongly supporting H_2. Institutional Regulatory Framework significantly influences FDI ($\beta=6.85$, $p<0.000$), confirming H_3. Customs Integration shows positive but insignificant effect ($\beta=0.85$, $p=0.382$). Leverage demonstrates negative but insignificant impact ($\beta=-0.35$, $p=0.712$).

Table 3: Model 1 Regression Results

Variable	Coefficient	Standard Error	t-statistic	P-value	95% Confidence Interval
Trade Reforms (TR)	7.25	2.56	2.83	0.006**	[2.27, 12.24]
Infrastructure Development (ID)	145.6	17.03	8.55	0.000***	[112.07, 179.14]
Institutional Regulatory Framework (IRF)	6.85	1.53	4.49	0.000***	[3.87, 9.84]
Customs Integration (CI)	0.85	0.99	0.86	0.382	[-1.09, 2.80]
Leverage (LEV)	-0.35	1	-0.35	0.712	[-2.32, 1.61]

Constant	-50.25	228.52	-0.22	0.825	[-498.96, 398.47]

R^2 = 0.1845, Adjusted R^2 = 0.1754, F(5,461) = 20.15, Prob > F = 0.0000Source: Researchers' Computation (2025)

Model 2: Institutional and Political Factors

Model 2 demonstrates superior explanatory power (R^2=0.2265, F=25.80, p<0.000). Political Economic Factors show highly significant positive effect (β=180.40, p<0.000). Infrastructure Development maintains strong significance (β=120.71, p<0.000). Institutional Regulatory Framework remains significant (β=6.85, p<0.000). Importantly, Leverage shows significant negative relationship (β=-4.50, p=0.007), supporting H_4 when institutional factors are considered.

Table 4: Model 2 Regression Results

Variable	**Coefficient**	**Standard Error**	**t-statistic**	**P-value**	**95% Confidence Interval**
Political and Economic Factors (PEF)	180.4	22.64	7.96	0.000***	[135.97, 224.83]
Institutional Regulatory Framework (IRF)	6.85	1.53	4.49	0.000***	[3.87, 9.84]
Infrastructure Development (ID)	120.71	13.02	9.27	0.000***	[95.16, 146.27]
Leverage (LEV)	-4.5	1.63	-2.76	0.007**	[-7.72, -1.28]
Customs Integration (CI)	0.86	0.99	0.87	0.382	[-1.09, 2.80]
Constant	-1500.29	264.58	-5.67	0.000***	[-2020.88, -979.70]

R^2 = 0.2265, Adjusted R^2 = 0.2175, F(5,461) = 25.80, Prob > F = 0.0000Source: Researchers' Computation (2025)

4.5 Hypothesis Testing Summary

- **H_1 (Trade Reforms):** SUPPORTED - Positive significant effect (β=7.25, p=0.006)
- **H_2 (Infrastructure Development):** STRONGLY SUPPORTED - Highest positive impact across models
- **H_3 (Institutional Frameworks):** SUPPORTED - Consistent positive significant effects
- **H_4 (Corporate Leverage):** PARTIALLY SUPPORTED - Significant negative effect in Model 2 only

4.6 Discussion

The findings align with theoretical expectations regarding the determinants of FDI in Nigeria, providing strong empirical evidence for the theory while also highlighting important nuances within the Nigerian context. The analysis in totality shows that while the FDI determinants traditionally used are valid for the Nigerian context, their importance and interaction effects differ significantly from those observed in developed economies or other emerging markets.

Infrastructure Development stands out as the most important determinant of positive FDI reception, displaying the highest coefficients in both models (β=145.60 in Model 1 and β=120.71 in Model 2), thus supporting robustly Dunning's location advantage theory. This illustrates physical infrastructure as a minimum requirement for investment by foreign businesses and forms the building blocks on which other business activities are constructed. The coefficients on infrastructure indicate that investments in this area will be far more effective than any other, making infrastructure development Nigeria's most cost-effective policy investment. The positive correlation supports the conclusions of Danladi and Alas (2020) that Nigeria's capacity to attract FDI would be greatly enhanced by addressing power supply shortages and other infrastructural improvements, with one estimate suggesting a 40-60% increase in manufacturing FDI.

The comparison is particularly emphasised, highlighting a problem with infrastructure, whatever it may be, that has been attempted to analyse Nigeria's performance about its peers within the region. Other countries, such as Egypt, invested massively in mega projects like the New Administrative Capital and Suez Canal Expansion, while Nigeria's spending remained fragmented. Based on the study's results, the integrated development of infrastructure could serve as a significant game changer, positively altering Nigeria's position within the regional FDI competition. This is particularly important now that the African Continental Free Trade Area (AfCFTA) has been implemented, where efficient logistics and a steady supply of energy will determine the locations of manufacturing hubs across the continent.

Trade reforms exhibit a positive impact ($\beta = 7.25$, $p = 0.006$), confirming the hypothesis that focuses on market considerations regarding the choice of investment location. This result confirms the role of trade liberalisation in enhancing operating costs and increasing foreign direct investment (FDI) opportunities in Nigeria. It is, however, noteworthy that the moderate size of the coefficient indicates that trade reforms by themselves are not likely to change the course of FDI inflow into Nigeria significantly. Nigeria's chronic policy implementation problems pose a significant threat to fully harnessing the benefits of trade liberalisation policies. The illogical foreign exchange policies of the Central Bank of Nigeria (CBN), which have a history of entangling investors' money in complex foreign currency exchange processes, have continually undermined the benefits of reform despite legislative progress (Kazeem et al., 2023).

The paradox of trade reform underscores a broader policy gap where effective policies fail due to institutional weaknesses and inter-policy synergies. Take, for instance, while Nigeria has reduced formal tariff barriers, there are still Non-Tariff Barriers (NTBs), such as administrative hold-ups, erratic customs operations, and sudden changes in regulatory policies, which counterbalance a large part of the liberalisation advantage. This problem highlights the integrative nature of the business environment and underscores the need for a framework that extends beyond fragmented approaches.

Across both models, the Institutional Regulatory Framework has a marked positive impact ($\beta = 6.85$, $p < 0.000$), which validates the hypothesis regarding the importance of governance quality in mitigating transaction costs and investment risks. This outcome aligns with the theories of formally defined institutions, which are predicted to shape strongly enabling contexts for long-term investment commitments. The moderate value of the coefficient suggests that although institutional reforms are necessary to attract FDI, these reforms must be complemented by geographical advantages to achieve their maximum impact. The consistency of institutional effects across different model specifications suggests robust relationships that are not sensitive to varying combinations of other factors or methods of analysis.

Considering Nigeria's governance difficulties and recent reform initiatives, the institutional finding is surprising. Even with legislative advancements like the Companies and Allied Matters Act (CAMA) 2020 and multiple ease-of-doing-business initiatives, Nigeria still suffers from a lack of institutional effectiveness due to gaps in implementation. The results indicate that while there is potential for long-term savings, realising this potential requires decisive political action and targeted capacity development.

Corporate Leverage shows a pronounced negative relationship ($\beta = -4.50$, $p = 0.007$) in Model 2, which considers political and economic uncertainty, thereby aligning with the location theory of FDI grounded in risk factors. This illustrates that financial risk considerations have heightened importance in an uncertain institutional setting, aligning with the findings of Thompson and Lee (2021) that leverage effects are enhanced under volatile emerging market conditions. The emergence of leverage significance solely in the institutional model implies that financial structural considerations are intertwined with more complex institutional elements where elevated leverage becomes problematic under politicised and uncertain economic environments.

This leverage effect has a profound impact on strategies aimed at fostering the development of Nigeria's private sector and attracting Foreign Direct Investment (FDI). Due to the underdevelopment of equity markets and the predominant reliance on debt financing, many Nigerian firms structure their finances with high leverage ratios, diminishing their appeal as FDI partners or acquisition candidates. This suggests that the development of the financial sector, especially the deepening of capital markets and the introduction of other financing options, may indirectly enhance FDI attraction by improving corporate financial structures.

The study highlights Nigeria's ongoing reliance on volatile portfolio investments, which accounted for 68% of Nigeria's foreign capital inflows in 2019, compared to a mere 4% from Foreign Direct Investment (FDI). Nigeria's economy is prone to acute capital flight crises during periods of global financial strain, demonstrated during the pandemic, where portfolio outflows exceeded $10 billion. This overwhelming reality in Nigeria serves as the backbone for the dominance of short-term speculative capital and reinforces the stark gaps within the country's framework for attracting investments, indicating an immediate need for well-rounded policy shifts. Policy contradictions, security concerns, a lack of basic infrastructure, political motivations, and strategic structural changes remain the primary hurdles hindering positive changes in the outcomes of FDIs.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study highlights that the underperformance in attracting Foreign Direct Investment (FDI) in Nigeria stems from deeply rooted systemic issues that are intertwined with a lack of comprehensive policy approaches. The analysis reveals that the development of infrastructure is the primary determinant of attracting investments by foreign entities, as it holds significantly greater importance than any other factor. Enhanced trade mechanisms, along with relations of higher institutional calibre, remain important contributors to the attraction of FDI. However, fiscal conservatism has adverse impacts, particularly in unstable climates. Customs integration has no meaningful impact, suggesting that merely providing digital trade services does not address fundamental structural weaknesses.

The study highlights Nigeria's challenges with volatile portfolio investments in comparison to stable foreign direct investments (FDI), exposing the risk of capital flight and hindering sustainable development. Aiding Nigeria's substantial economic fundamentals and natural resource endowments, regional peers showcase a comparative analysis of underperforming metrics.

Effective performance was observed despite suboptimal Foreign Direct Investment (FDI) flows, integrated with speculative capital emulation and accompanied by a lack of extensive and persistent reform frameworks. This further served transformative foreign investment objectives directed at economic diversification and sustained growth.

5.2 Recommendations

Drawing from the findings, five strategic restructuring zones have been identified to enhance Nigeria's capacity to attract FDI:

1. Addressing Structural Gaps

Overhaul infrastructure development as the focal point of the FDI strategy, alongside public-private public-private partnerships directed at budget-friendly financing systems, coupled with guaranteed operational serviceable services and foundations for foreign investment buildouts. Prioritise guaranteed electricity service provision in the industrial zones, alongside integrated transport networks, interlinking economic hubs with ports and expansion of sidelined digital infrastructure.

2. Change of Institutional Framework

Change NIPC into a functional "one-stop-shop" by completely removing offline steps concerning investment procedures and bringing down the timeline for business registration to below 7 days. Establish comprehensive, integrated government portals that link every agency, reinforce automation of approval workflows, and set up special commercial courts for contract enforcement. Standardised pre-documentation for applications enhances compliance and improves trackable transparency.

3. Policy on Trade Consistency

There should be predictable policies around the foreign exchange market and document explicit policies around repatriation, speed up the process of digitising customs and take full advantage of AfCFTA, create single window trade systems, remove the arbitrary currency ceiling, and set up trade facilitation units at major ports. Coordinate policies across agencies so that conflicts due to inconsistency do not occur, which would defeat the purpose of liberalisation policies.

4. Structural Deepening of the Financial Sector

Set up bankable infrastructure bonds to create secondary capital markets. Strengthen the economy with stable inflation and sustainable debt levels. Increase inclusion by enhancing mobile banking and accelerating credit guarantees for small businesses. This would enable domestic companies to act as viable partners for inbound Foreign Direct Investment (FDI) and reduce the overall investment risk.

5. Sector Specific Focused Actions

Establishes world-class manufacturing and technology special economic zones (SEZs) with advanced infrastructure. Offer tailored incentives such as tax exemptions and duty-free imports on non-oil investments. Implement supplier development programs that assist foreign investors in creating sustainable industrial capabilities with local SMEs, facilitate technology transfer programs, and establish partnerships for skilled workforce development through universities.

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