

SPILOVER EFFECT OF FOREIGN INVESTMENT ON EXPORT BEHAVIOUR OF MANUFACTURING MEDIUM ENTERPRISES IN NORTH CENTRAL NIGERIA

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ABSTRACT

This study examined the spillover effect of foreign investment on export behaviour of manufacturing medium enterprises in North Central Nigeria. Specifically, the study examined the spillover effect of market-seeking foreign investment, resource-seeking foreign investment and efficiency-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria. This study is anchored on Resource Based View of the Firm by Penrose in 1959. The study adopted cross-sectional design. The researcher selected a total of 80 manufacturing medium enterprises operating in North Central Nigeria as the study population as well as its sample size. Judgmental sampling technique was used to choose one respondent from each company. Data was analyzed using multiple regression with the aid of statistical package for social sciences (SPSS) version 23. The result revealed that all the dimensions of foreign investment are positively and significantly related to export behavior; that market seeking foreign investment had coefficients of estimate which was significant with $\beta_1 = 0.212$ (p -value = 0.011); resource-seeking foreign investment $\beta_2 = 0.904$ (p -value = 0.000 and efficiency-seeking foreign investment $\beta_3 = 0.505$ (p -value = 0.000). Based on the findings, the study conclude that market-seeking foreign investment, resource-seeking foreign investment and efficiency-seeking foreign investment have improved the export behavior of manufacturing medium enterprises in North central Nigeria. Based on the conclusion, the researcher recommends that Managers of manufacturing medium enterprises in Nigeria should adopt market seeking foreign investment, resource-seeking foreign investment and efficiency-seeking foreign investment so as to improve their export behavior.

Keywords: Spillover Effect, Foreign Investment, Export Behaviour.

1.0 INTRODUCTION

1.1 Background to the Study

Globalization of the world market through trade liberalization and digital technologies have made foreign investment to thrive. It is believed that the developing countries that are embedded in the low end of export activities can upgrade their position by, for example, improving their attractiveness for and the quality of inward foreign direct investment (FDI) (Truong and Dong, 2021). FDI could have direct and indirect effects on countries' product sophistication and their export participation. The direct effect is that foreign and domestic firms in a joint venture are likely to produce and sell sophisticated products to international markets. Meanwhile, the indirect effect is revealed through the spillover impacts of FDI (horizontal and vertical spillovers) on domestic firms' level of innovation (Javorcik, 2004). After having accumulated sufficient capabilities, many of these local firms undertake outward international expansion and become multinationals themselves. On the other hand, to

enhance their position within export activities, firms from developing countries that started off at the lowest position can use international expansion as a way to move up to a higher value-added position (Truong and Dong, 2021). The primary direction of their movement depends on the nature of the value chain governance structure. However, there is still a lack of studies that empirically investigate the spillover effects generated not only by multinational enterprises (MNEs) but also by domestic exporting firms on the export decisions of local firms in developing countries such as Nigeria.

Although many of the theoretical treatments of FDI and trade have often included outward FDI and imports, the precise relationship between inward FDI and exports remains ambiguous and may depend on the type of FDI. According to Vuksic (2005), FDI that is predicated on taking advantage of the availability of natural resources or low-cost labour is more likely to directly promote exports. Vertically integrated FDI that is resource seeking would be expected to increase the volume of the host country's exports, with the subsidiaries of the MNEs focused on exporting raw materials or intermediate products to their parent firm or other subsidiaries. The effect of horizontal FDI, on the other hand, on the export performance of a host country is ambiguous. Jensen (2002) observed that this type of FDI, especially when it is 'market-seeking', may not have any direct impacts on exports as it is targeted primarily at the host country market. However, Franco (2013) argues that market seeking horizontal FDI does indeed have the potential to promote host country exports through export spillover to domestic firms. Her results show that while market-seeking FDI may not contribute directly to exports, by strengthening the links with domestic firms, it may indirectly boost the exporting capacity of domestic firms. In other words, market-seeking horizontal FDI also has a potentially positive effect on exports when it boosts local entrepreneurship through competition with domestic firms as well as through links with firms in their downstream and upstream of the MNE's supply chain.

The empirical literature on the effect of FDI on host country exports can be broadly divided into two strands: (i) studies that focus on the direct contribution of FDI to exports; and (ii) studies that examine the indirect (spillover) effect of FDI on domestic firms' exports. In the present study, due to a lack of firm-level data for Nigeria, we focus on the direct effect of FDI. The empirical evidence from this stream of literature is mixed. Some studies found evidence of a positive relationship (e.g., Leichenko *et al.*, 1997; Xuan and Xing, 2008), while others show that the impact of FDI on host country exports may not always be positive (e.g., Lall and Mohammed, 1983; Sharma, 2003). Furthermore, most of these studies make use of aggregate FDI and aggregate export data at either cross-national, national or regional level. As noted by Alfaro (2003), aggregate FDI does not give the full picture of the impact of FDI. Data aggregation may also be the reason for the mixed findings of previous work.

The present study adds to this literature by employing manufacturing medium enterprises to examine the FDI-exports relationship in Nigeria. Nigeria makes for an interesting case to study the FDI-export nexus. For over a decade now, Nigeria has consistently remained one of the top destinations of FDI in Africa. Nigeria is the second-ranked African country in terms of inward FDI (Truong and Dong, 2021). Moving away from a largely agrarian economy to an oil-dominated economy, Nigeria's FDI has also historically tilted towards the oil sector. As in most of the 1990s, the primary sector (consisting largely of oil and allied sector) was the major

recipient of FDI. However, this trend has been reversing since the early 2000s, as Nigeria has recorded massive FDI inflows into other sectors, particularly the manufacturing sector – also thanks to the extensive privatization of public enterprises carried out by the new civilian government (UNCTAD, 2009).

We disaggregate FDI into primary sector, manufacturing sector FDI and investigate their impact across different export categories. By disaggregating FDI by sector, we are also able to infer how the 'FDI motivation' affects its relation with exports. Primary sector FDI, especially in developing countries, is mostly resource-seeking and vertically integrated (Alfaro, 2003), and hence is more likely to promote resource exports than non-resource exports. Service sector FDI and manufacturing FDI, on the other hand, may either be market-seeking or efficiency-seeking, hence they may have a differentiated impact on resource and non-resource product exports.

1.2 Statement of the Problem

Today, foreign private investment is going many steps down the drain in Nigeria, with cost of production rising every day, the epileptic power supply, the political environment which is filled with tension, the unconducive environment for business, more and more multinational corporations are exiting Nigeria everyday and thereby decreasing the volume of private direct foreign investment. An example is illustrated in the existence of first Lever Brothers of Nigeria, followed by Dunlop and Michelin. All these sum up to reduce the volume of our GDP growth in Nigeria, excessive dependence on inputs (which will raise the price of the product due to tariff cost etc) rising unemployment, death of the ultimately slavery in forms of imperialism and neocolonialism.

Although much empirical work has focused on understanding how foreign direct investment (FDI) and the underlying mediating factors affect the growth and productivity of a host country, the relationship between FDI and a host country's export performance has received considerably less attention. More so, many of the studies on the FDI-exports nexus have focused on developed and transition economies, with little attention being paid to developing economies, especially Sub-Saharan African (SSA) countries.

Despite being one of the largest recipients of FDI in Africa, only very few empirical studies have examined the FDI-exports relationship in Nigeria. The notable exceptions are Mohammed and Ekundayo (2014), Aigheyisi (2016), and Enimola (2011). Unlike Enimola (2011), who investigated the FDI-export nexus at aggregate level, Mohammed and Ekundayo (2014) and Aigheyisi (2016) disaggregated export categories into oil and non-oil, taking into account the predominance of the oil sector in Nigeria. However, none of these studies attempted to examine the impact of manufacturing FDI across different export categories. This study intends to fill this gap by empirically investigating the spillover effect of foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria.

1.3 Objectives of the study

The main objective of the study is to determine the spillover effect of foreign investment on export behaviour of manufacturing medium enterprises in North Central Nigeria. The specific objectives are as to:

- i. determine the spillover effect of market-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria;
- ii. investigate the spillover effect of resource-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria; and
- iii. examine the spillover effect of efficiency-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria in Nigeria.

1.4 Statement of the Hypotheses

This study is guided by the following hypotheses:

H0₁: Market-seeking foreign investment has no significant spillover effect on export behavior of manufacturing medium enterprises in North Central Nigeria;

H0₂: Resource-seeking foreign investment has no significant spillover effect on export behavior of manufacturing medium enterprises in North Central Nigeria; and

H0₃: Efficiency-seeking foreign investment has no significant spillover on export behavior of manufacturing medium enterprises in North Central Nigeria.

2.0 LIERATURE REVIEW

This section discusses theoretical framework, conceptual framework and review of related empirical studies.

2.1 Theoretical Framework

This study is anchored on Resource Based View of the Firm by Penrose in 1959.

2.1.1 Resource Based View Theory

This theory was propounded and put-forward by Penrose in 1959 and was popularized by the works of Wernerfelt (1984) and Barney (1991). The resource-based view theory is based on the premise that firms differ, even within an industry. The difference occur in the firms resources and the main theory is that a firm's strategy should depend on its resources- if a firm is good at something, the firm should try to use (Wernerfelt, 1984). In the resource-based theory (RBV) of the firm, a firm's performance is affected by firm-specific resources and capabilities (Barney, 1996). This implies that, in the RBV, resources are allocated heterogeneously (unevenly) within an industry (Penrose, 1995; Barney, 1991). Organizations therefore must be aware of their strengths and weaknesses, as they have to develop strategies on how to outperform competitors with the given resources bundles and capabilities (Barney, 1991; Wernefelt, 1984).

Furthermore it is argued that a firm's resources are not "perfectly mobile across firms" (Barney, 1991). Resources in the RBV and as used in the following refer to a firm's "assets, capabilities, organizational processes, firm attributes, information, knowledge, among others controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney,1991). In other words, they are the "inputs into the production process" (Grant, 1991). Valuable resources and their strategic

utilization help to seize opportunities or neutralize threats in an organization's environment (Barney, 1991).

The RBV places emphasis on the resources and internal capabilities of a firm as its sources of competitive advantage, essentially viewing the firm as a bundle of resources (Barney, 1991). Since each firm has its own history, has grown over time, acquired assets, skills, and experiences along the way, and cultivated its own distinctive organizational culture, no two companies are alike (Barney, 1991). The optimal combination of these resources and their efficient allocation towards specific problems and opportunities sets a firm apart from the competition. The goal of a resource-based approach is therefore to implement a strategy that is based on the firm's heterogeneous resources and that is not being implemented by competitors. This strategy would provide a sustained advantage due to its inimitability.

As Barney (1991) points out, not all resources have the potential to establish a unique, profitable resource position for the firm. In his widely cited VRIO framework, Barney (1991, 1995, and 1997) identifies four resource characteristics necessary for a resource to be a potential source of sustainable competitive advantage: value, rarity, inimitability, and organization.

i. **Value:** The resource must be valuable in such a way that it enables the firm to exploit opportunities and/or neutralize threats (Barney, 1995). Thereby the costs involved in obtaining or creating the resource must not exceed the discounted future rents that are expected to be generated through its use (Mahoney and Pandian, 1992).

ii. **Rarity:** To be a source of competitive advantage, the resource may not be controlled by numerous firms (Barney, 1995). Rarity precludes a large number of competitors using the same valuable resource, which thereby prevents strategic parity. In particular, firm-specific, internally developed resources that cannot be bought on factor markets fulfill the criterion of rarity (Barney, 1991).

iii. **Inimitability:** A valuable and rare resource may provide the firm with a temporary competitive advantage. To remain a long-term and sustainable advantage, however, the resource must resist imitation by duplication or substitution of a similar resource (Barney, 1995). Inimitability of a resource depends on multiple factors, including historical context, the learning process by which the resource was created, the social complexity of the resource, and its causal ambiguity (Barney, 1999).

iv. **Organization:** A valuable, rare, and inimitable resource has great potential to generate sustainable competitive advantage. The realization of this inherent potential depends upon the firm's ability to fully leverage the resource (Barney, 1995). Only if the organization adequately supports the exploitation of the resource through its reporting structures, management control systems, and compensation policies will the firm enjoy sustainable competitive advantage (Barney and Hesterly, 2010).

Scrutiny and assessment have pointed to a number of unresolved problems in the resource-based view theory. These criticisms relate to the unit of analysis, the circularity or

tautological nature of the resource-base theory, the exogenous nature of value, the neglect of the environment, the condition of heterogeneity and the behavioural assumption underlying the condition of non-imitability.

This theory is relevant to this study because it best explains the relationship between the study variables; such that; multinational companies depend on resources to enter and make foreign investment and domestic companies also relied on resources to engage in export behavior.

2.2 Conceptual Framework

This section explains the concept of spillover effect, foreign investment and export behaviour.

Spillover Effects

The study examined spillover effects generated by two types of firms: foreign exporting firms, and domestic exporting firms. The reason is that it is difficult to distinguish the spillover effects between many different types of firms. It is also believed that, due to stronger linkages with MNEs and the advantage of a firm's characteristics (such as size and capital intensity), foreign exporting firms are considered the major source of spillover effects compared with FDI firms that serve the domestic market only. In literature, there are two types of spillover effects: horizontal and vertical spillovers. Horizontal spillovers refer to externalities created by these types of firms to local firms that are active in the same industry; while, vertical spillovers are the ones generated by these firms to both upstream and downstream players in the supply chain. These vertical spillovers are divided into backward spillovers and forward spillovers.

In particular, horizontal spillovers take effect when local firms gain information externalities provided by MNEs and exporting firms regarding foreign markets, foreign consumers, foreign technology, the way that local firms can distribute their products (Aitken et al., 1997), and access to trade infrastructure. This may lower the costs of entry and acquisition of export market information and help domestic firms start exporting. Meanwhile, domestic firms may also look to the international market as an outlet when an increase in competition comes from the presence of MNEs and the exporting firms in an industry.

On the vertical side, backward spillovers occur when foreign firms or domestic exporting firms make contracts with domestic suppliers of intermediate inputs and directly transfer knowledge and technologies to enhance the production capability of their local suppliers and help them start exporting (Alvarez and López, 2008). Furthermore, local firms may access the distribution services and logistics infrastructure of MNEs in the downstream sector. It should be noted that the effect of the backward spillover channel relies on the degree to which MNEs source locally. When inputs are predominantly acquired from abroad, positive backward spillovers are limited in size (Javorcik, 2008).

Forward spillovers occur when domestic firms can produce more sophisticated products and start exporting when foreign-owned firms located in the domestic market supply intermediate inputs using new technologies or processes. In addition, domestic firms may gain information

embedded in the products supplied by foreign-owned suppliers and exporting suppliers regarding foreign customers and preferences (Abegaz and Lahiri, 2020). It is worth noting that the magnitude of the effect of positive forward spillovers depends on the availability of sophisticated inputs before the entry of multinational downstream firms and the quality input of exporting firms. If sophisticated inputs are accessible via imports and the technological gap between local and foreign firms is too large, the forward spillovers are limited in size (Javorcik, 2008). The forward spillover effects could even become negative if there are sharp differences in technology, quality standards, and the costs of doing business between foreign firms and local counterparts; these factors trigger the foreign firms to sell their intermediate products to international market (Chen et al., 2013). As a result, there is stronger competition between domestic firms and foreign firms in the same downstream industries, which could negatively influence domestic firms' export participation (Chen et al., 2013).

On the other hand, the presence of foreign or domestic exporting firms may also lead to the exit of firms in global markets. As noted, the presence of foreign firms or domestic exporting firms could affect the export decision of domestic firms both through increasing competition and/or from information externalities. When the competition increases from the presence of FDI firms and domestic exporting firms or the sunk cost due to information externalities, domestic firms are forced to be more productive, allowing them to start exporting or survive in the international market. However, when this is not done, the higher competition may lead to the exit of local firms in the international market (Kneller and Pisu, 2007). Domestic firms may face competition from FDI and domestic firms in the labour and resource markets that trigger local companies to leave the international market (crowding-out effect). Additionally, FDI firms' activities may also

lead to an increase in input prices, creating competitive difficulties for domestic firms, thus leading to the exit of less-efficient domestic rivals (Görg and Strobl, 2003). Another channel is that, due to information asymmetries, domestic firms may feel that the entry cost in the international market is too high and uncertain. They might also feel that the profitable opportunities available in foreign markets are too low. This factor discourages local firms from export market participation (Greenaway and Kneller, 2004). Under the backward channel, there is also the case that domestic firms find it hard to provide intermediate input due to higher requirements from FDI and domestic exporting firms, leading domestic firms to leave the production chain established by the latter.

For a developing country, it is possible that foreign-owned exporters are the main source of technologies and knowledge (Alvarez and López, 2008). Therefore, we expect that the spillover effect from FDI exporting firms could be stronger than that of domestic exporting firms. Foreign-owned firms in developing countries are often affiliations of MNEs, so we expect that spillover effects via vertical channels from foreign exporting firms are stronger than the effect generated by domestic exporting firms. There is a possible case that domestic and foreign-owned firms may compete to enlarge their exports and attract international customers. Such competition may enhance the export activities of domestic firms (Abegaz and Lahiri, 2020). However, the literature shows that it is difficult to clearly decompose the differences in the magnitude and mechanisms of effects between FDI exporting firms and domestic exporting firms. Thus, our paper, besides studying the spillover effect from FDI

exporting firms, searches for evidence on the existence of the spillover effects generated by domestic exporting firms rather than focusing on distinguishing the differences in spillover effects from domestic exporting firms and foreign counterparts.

Foreign Investment

The concept of private foreign investment which is used interchangeably with foreign direct investment (FDI) has been defined by different authors.

According to Anyanwu J.C. (1993) "Foreign Private Investment refers to the investment of Private foreign funds in the economy of a developing nation, usually in the form of import substituting industries by Multinational Corporations (MNCs). The multinational corporations carry with them technologies of production tastes and styles of living, managerial services, diverse business practices including cooperative arrangement, marketing restrictions, advertising and transfer pricing".

FDI is regarded as the ownership or control of 10 percent or more of an enterprise's voting securities or the equivalent interest in an unincorporated business (Griffin and Pustay, 2007). Farrell (2008) defined FDI as a package of capital, technology, management, and entrepreneurship, which allows a firm to operate and provide goods and services in a foreign market.

Agada and Okpe (2012) saw FDI as an attempt by individuals, groups, companies and government of a nation to move resources of productive purpose across its country to another country with the anticipation of earning some surplus. Otepola (2012), asserted that FDI has emerged as the most important source of external resource flows to developing countries over the years and has become a significant part of capital formation in these countries, though their share in the global distribution of FDI continue to remain small or even declining. Caves (1996) also observed that the rationale for increased efforts to attract more FDI stems from the belief that FDI has several positive effects. Among these are productivity gains, technology transfers, and the introduction of new processes, managerial skills and know-how in the domestic market, employee training, international production networks, and access to markets.

2.2.2 Dimensions of foreign investment

Dunning (1993) describes three main dimensions of FDI based on the motive behind the investment from the perspective of the investing firm. The first type of FDI is called market-seeking FDI, whose aim is to serve local and regional markets. It is also called horizontal FDI, as it involves replication of production facilities in the host country. Tariff-jumping or export-substituting FDI is a variant of this type of FDI. Because the reason for horizontal FDI is to better serve a local market by local production, market size and market growth of the host economy play important roles. Obstacles to accessing local markets, such as tariffs and transport costs, also encourage this type of FDI. A second type of FDI is called resource-seeking: when firms invest abroad to obtain resources not available in the home country, such as natural resources, raw materials, or low-cost labour. Particularly in the manufacturing sector, when multinationals directly invest in order to export, factor cost considerations become important. In contrast to horizontal FDI, vertical or export-oriented FDI involves

relocating parts of the production chain to the host country. Availability of low-cost labour is a prime driver for export-oriented FDI. Naturally, FDI in the resource sector, such as oil and natural gas, is attracted to countries with plentiful natural endowments. The third type of FDI, called *efficiency-seeking*, takes place when the firm can gain from the common governance of geographically dispersed activities in the presence of economies of scale and scope. In 1998, the World Investment Report, UNCTAD (1998) has analysed the determinants of FDI and host country determinants have been classified into the three groups. These are political factors, business facilitation and economic factors.

Market seeking: Firms may go overseas to find new buyers for their goods and services. The top executives or owners of a company may realize that their product is unique or superior to the competition in foreign markets and seek to take advantage of this opportunity. Another motivation for market-seeking occurs when producers have saturated sales in their home market, or when they believe investments overseas will bring higher returns than additional investments at home. This is often the case with high technology goods. As one analyst noted, “The minimum size of market needed to support technological development in certain industries is now larger than the largest national market” (Sutherland 1998).

Resource seeking: Put simply, a company may find it cheaper to produce its product in a foreign subsidiary- for the purpose of selling it either at home or in foreign markets. The foreign facility may be able to obtain superior or less costly access to the inputs of production (land, labor, capital, and natural resources) than at home.

Efficiency seeking: Multinational companies may also seek to reorganize their overseas holdings in response to broader economic changes. For example, the creation of a new free trade agreement among a group of countries may suddenly make a facility located in one of those countries more competitive, because of access for the facility to lower tariff rates within the group. Fluctuations in exchange rates may also change the profit calculations of a firm, leading the firm to shift the allocation of its resources.

Export Behaviour

Export behavior is seen as both the probability of a firm exporting and the propensity to export of the exporting firms. A firm’s physical productivity – which determines its marginal cost – has been identified as one of the key determinants of export participation and intensity. Melitz (2003) uses a monopolistic competition model to illustrate that a firm’s decision to serve one or multiple foreign market (s) depends on its productivity. Because a firm has to pay fixed export entry costs to access new markets, its productivity must be strong enough to offset this outlay. Chaney (2008) and Helpman et al. (2008) use Melitz-type models to show that a firm’s expected export share is higher when bilateral trade frictions are relatively low. Although these models predict that productivity will have a positive impact on export intensity, defined as the ratio of export sales over total sales, a reverse effect is also possible (Arkolakis, 2012). Given that firms with a given level of productivity can reach a certain fraction of consumers in both domestic and export markets, improved productivity enables them to increase the fraction of consumers they reach in both markets. If the positive impact of productivity improvements on domestic sales exceeds the positive impact on export sales, productivity, and export intensity will be inversely related.

Output prices are the second component of markup and superior product quality has been identified as a major driver of higher prices (Baldwin and Harrigan, 2011; Bellone et al., 2016; Johnson, 2012; Kugler and Verhoogen, 2012; Manova and Zhang, 2012). Products destined for export must offer an output quality premium over what is available in the domestic market. Consequently, exporters realize higher output prices and higher markups than non-exporters even though they use higher quality, and therefore more costly, inputs (Kugler and Verhoogen, 2012) or technologies that result in higher marginal costs (Antoniades, 2015; Eaton and Fieger, 2019; Hallak and Sivadasan, 2013; Johnson, 2012). Nonetheless, if export markets have a different appreciation for product quality compared to domestic markets, the impact of the product quality component of markups on exports could be negative (Crino and Epifani, 2012). For example, firms located in countries with high domestic quality standards that produce high-quality products are less likely to export to markets with lower quality standards (Crino and Epifani, 2012).

Majeed and Ahmad (2006) highlighted the determinants of export behavior in developing countries to include the following:

Production Level: It is the supply side determinant of exports. The higher level of production is the main cause of export expansion, because surplus of output can be exhausted in international markets. In a close economy surplus of production leads to fall in prices, which, in turn, creates pessimism among producers. In an open economy such surpluses create foreign reserves by exporting production. So we expect the positive impact of GDP on exports growth. In empirical literature, Kumar (1998) confirms the positive impact of GDP on exports. *Production Growth:* Growth of the GDP is an indicator of future potential and sustainability of production level. Growth is more valid determinant of exports as compare to GDP because it measures the sustainability of output levels. So we expect positive impact of GDP growth on exports expansion.

Real Exchange Rate: A fall in the relative domestic prices due to exchange rate depreciation makes exports cheaper in international markets resulting in increased demand for exports, therefore we expect the positive impact of real exchange rate on export growth.

Communication Facilities: In this era, when time is shrinking, the importance of communication facilities has become more important. For the measurement of communication facilities we employ two variables, namely, the number of television sets and the number of telephones sets in use. These two variables have also been justified in empirical literature (Kumar, 1998). Expansion of such facilities has favourable effect for exploration and access to the world markets. Hence we expect the positive impact of provision of such facilities.

Indirect Taxes: The effect of this variable is expected to be adverse on production decisions. But we cannot rule out the possibility of positive effect on exports due to fiscal incentives by government. Specifically, if government provides tax exemptions for the expansion of exports sector, higher rate of indirect taxes can have the negative effect on domestic demand resulting in exportable surplus.

Official Development Assistance: Large size of official development assistance implies is likely to facilitate growth of infrastructure, which in turn will favourably affect investment climate. We expect positive effect of this variable on export growth.

2.3 Empirical Reviews

Truong and Dong (2021) investigates the spillover effects generated by foreign and domestic exporting firms on export decisions of local manufacturing firms in Viet Nam – a developing economy – over 2010–18. In the export participation, we find positive spillover effects from foreign and domestic exporting firms on domestic firms' export participation, while negative spillover effects are detected with the backward channel. Estimation shows the positive forward spillover effects from domestic exporting firms on domestic counterparts' export participation; on the contrary, the forward spillover effects generated by foreign direct investment exporting firms are negative. In addition, we discover the opposite spillover effects from foreign direct investment and domestic exporting firms on the probability of export exit of domestic firms, with the negative impact under the horizontal channel and the positive one under the backward channel. There are also effects of firms' characteristics such as labour productivity, wage, firm size, and capital intensity on the export participation and export exit of domestic firms. From empirical evidence, the paper provides policy implications to strengthen linkages between foreign and domestic exporting firms with local firms in Viet Nam. The study was carried outside the present study area.

Adamu and Priyanga (2021) examines the impact of FDI spillovers on productivity of firms in the manufacturing sector in Nigeria. While there are numerous studies focusing on the direct impact of FDI in Nigeria, only very few studies have investigated the spillover effects of FDI on productivity. The study uses firm level panel survey data obtained from the World Bank's Enterprise Survey. The techniques of analysis used are pooled OLS, random effects and generalised method of moments (GMM). Our results show that there is presence of significant FDI spillover effects in the manufacturing sector in Nigeria. We find positive and significant impact of FDI spillovers through the horizontal and forward channels while backward FDI spillover has a negative and significant impact on productivity. While the result of horizontal and forward spillovers can be attributed to the competitiveness of local firms and quality of inputs from foreign owned suppliers respectively, the negative backward spillover may be due to poor transportation networks and low absorptive capacity of local suppliers. We recommend that for domestic firms to benefit from their foreign customers in the downstream sector, there must be improved infrastructure especially transportation networks and local firms have to upgrade their capacity in terms of education.

In the case of Nigeria, studies of the effect of FDI spillovers on productivity of domestic firms are very scanty. The few available studies in this area (Dutse, 2012; Ayanwale and Bamire, 2004; Onyekwena, 2012) appear to accord less importance to the channels of FDI spillovers and the standard methodology in the construction of these variables – horizontal, backward and forward spillovers. For example, Dutse (2012) examines the technology spillovers in the manufacturing sector in Nigeria. The study examines the technology capabilities and FDI-related spillovers in manufacturing industries using survey data obtained based on questionnaires designed by the researcher. Ayanwale and Bamire (2004) also find a positive FDI spillover effects on the productivity of domestic firms but the case of agro allied industries

and does not clearly show the linkages. Nevertheless, Onyekwena (2012) examines the impact of FDI on manufacturing firms and banks in Nigeria by considering only the horizontal channel due mainly to unavailability of data.

Saibu and Keke (2014) examined the impact of Foreign Private Investment on economic growth using annual time series data from Nigerian economy. The study employed Co-integration and Error Correction Mechanism (ECM) techniques to empirically analyze the relationship between foreign private investment and economic growth and to draw policy inferences on the observed relationship. The study revealed that there was a substantial feedback of 116% and 78% from previous disequilibria between long-run economic growth and foreign private investment respectively. The findings also indicated that a substantial proportion of capital inflow were not productively invested however the relatively small proportion (22%) of net capital inflows invested, contributed significantly to economic growth in the Nigerian economy. The political environment was found to be unfavorable and overwhelmed the positive impact of foreign private investment.

Ayashagba and Abachi (2002) investigate on the effects of foreign direct investment on economic growth from 1980 to 1997. Their result revealed that foreign direct investment had significant impact on economic growth in Nigeria. However, the study concludes that the presence of foreign direct investment in the LDCs particularly in Nigeria is not totally useful. Eravwoke and Imide (2013) analyzed corruption, foreign direct investment and its impact on exchange of the Nigerian economy. The ultimate objective of this study centers on an empirical investigation of the impact of corruption, foreign direct investment and its impact on exchange rate of the Nigerian economy. In order to achieve these objectives the study used the ordinary least squares regression analyses, augmented dickey fuller unit root test and the co-integration test. The unit root test revealed that all the variables were stationary at first difference and the short run result revealed that corruption is very high in Nigeria and that have help to depreciate the currency of the country with regards its exchange to other currencies.

Adewumi (2006) examine the impact of foreign direct investment on economic growth in Africa using graphical and regression analysis. The study revealed that the contribution of foreign direct investment to growth is positive in most of the countries but not significant. While contributing to the debate on the joint effects of aid and FDI in economic development estimated a panel data for countries in the Southern Africa region.

In another line of study, Makki and Somwaru (2004) analyze the role foreign direct investment and trade in economic growth of developing countries within the endogenous growth-theory framework. The study used cross-section data relating to a sample of 66 developing counties over three decades. Findings revealed that foreign direct investment and trade contribute toward advancing economic growth in developing countries and that foreign direct investment is often the main channel through which advanced technology is transferred to developing countries.

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Cointegration and Error Correction Mechanism (ECM) techniques to empirically analyze the relationship between foreign private investment and economic growth and to draw policy inferences on the observed relationship. The study revealed that there was a substantial feedback of 116% and 78% from previous disequilibria between long-run economic growth and foreign private investment respectively. The findings also indicated that a substantial proportion of capital inflow were not productively invested however the relatively small proportion (22%) of net capital inflows invested, contributed significantly to economic growth in the Nigerian economy. The political environment was found to be unfavorable and overwhelmed the positive impact of foreign private investment.

Bailliu and Jeannine (2000) used panel data from 40 developing countries from 1975–95. The study specified a model which accounted for potential endogeneity of the explanatory variables and the result shows that capital inflows foster higher economic growth, above and beyond any effects on the investment rate, but only for economies where the banking sector has reached a certain level of development.

In a similar study, Lumbila (2005) examined a panel analysis of the effects of foreign direct investment (FDI) on economic growth from 47 African countries over two decades (1980–2000). Utilizing a seemingly unrelated regressions (SUR) technique of analysis the study revealed that foreign direct investment exerts a positive impact on growth in Africa. Using data from several investor surveys, the study of Asiedu (2002) suggest that macroeconomic instability, investment restrictions, corruption and political instability have a negative impact on foreign direct investment (FDI) to Africa. Using time series data covering the period of 1970-2003.

3.0 Methodology

The study adopted cross-sectional design. The researcher selected a total of 80 manufacturing medium enterprises operating in North Central Nigeria as the study population as well as its sample size. Judgmental sampling technique was used to choose one respondent from each company to provide information on how spillover effect of foreign investment improved their export behavior in North Central Nigeria.

Variable/Model Specification

A multivariate regression model was used to link the independent variables to the dependent variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where;

Y =Export Behaviour

X_1 =Market-Seeking FDI

X_2 = Resource-Seeking FDI

X_3 = Efficiency-Seeking FDI

In the model, β_0 = the constant term while the coefficient β_i , $i= 1, \dots, 3$ will be used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor

variables X_1 , X_2 , and $X_3\mu$ is the error term which captures the unexplained variations in the model.

4.0 RESULT AND DISCUSSION

Data was collected from the 80 respondents from manufacturing medium enterprises in North Central Nigeria. A standard multiple regression analysis was conducted using export behaviour as the dependent variable, and the three independent variables: market seeking, resource seeking and efficiency seeking as the predicting variables. The research used Statistical Package for Social Sciences (SPSS V 21) to code, enter and compute the measurements of the multiple regressions.

From the model summary in Table 1, it is clear that the adjusted R^2 was 0.982 indicating that a combination of market seeking, resource seeking and efficiency seeking explained 98.2% of the variation in the export behavior of Nigeria.

From the ANOVA Table 2, it is clear that the overall standard multiple regression model is significant in predicting how market seeking, resource seeking and efficiency seeking determine export behavior of Nigeria. The regression model achieves a high degree of fit as reflected by an R^2 of 0.983 ($F = 2452.58.00$; $P = 0.000 < 0.05$).

The result in Table 3, presents the regression results on how market seeking, resource seeking and efficiency seeking investment determine export behavior in Nigeria. The multiple regression equation was that: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$ multiple regression equation and became: $Y = 0.138 + 0.203X_1 + 0.876X_2 + 0.493X_3$. As depicted in Table 3, there was positive and significant effects of market seeking on export behaviour ($p.011 < 0.05$). There was positive and significant effect of resource seeking on export behaviour ($p.000 < 0.05$). Also, there was positive and significant effect of efficiency seeking on export behavior ($p.000 < 0.05$).

Table 1: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.991 ^a	.983	.982	.14299	1.602

a. Predictors: (Constant), Efficiency seeking, resource seeking, market seeking

b. Dependent Variable: Export Behaviour

Table 2: Analysis of Variance (ANOVA)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	200.582	3	50.146	245.508	.000 ^b
Residual	3.517	67	.020		
Total	204.099	70			

a. Dependent Variable: Export Behaviour

b. Predictors: (Constant), Efficiency seeking, resource seeking, market seeking

Table 3: Multiple Regression Model

	B	Std. Error	Beta	T	Sig
(Constant)	.138	.037		3.717	.000
Market seeking	.203	.079	.212	2.558	.011
Resource seeking	.876	.022	.604	7.190	.000
Efficiency seeking	.493	.067	.505	7.344	.000

a. Dependent Variable: Export Behaviour

4.2 Test of Hypotheses

The three hypotheses formulated in the study were tested and the result presented as follows:

Hypothesis One: Market-seeking foreign investment has no significant spillover effect on export behaviour of manufacturing medium enterprises in North Central Nigeria

The research findings showed that market seeking foreign investment had coefficients of estimate which was significant with $\beta_1 = 0.212$ (p-value = 0.011 which is less than $\alpha = 0.05$) implying that we reject the null hypothesis which states that market-seeking foreign investment has no significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria. This indicates that for each unit increase in market seeking there is 21.2 % increase in Export Behaviour.

Hypothesis Two: Resource-seeking foreign investment has no significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria

The result of hypothesis two showed that resource-seeking private foreign investment had coefficients of estimate which was significant on $\beta_2 = 0.904$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis, and conclude that resource-seeking private foreign investment has significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria. This implies that for each unit increase in resource-

seeking, there is up to 0.604 increase in export behaviour of manufacturing medium enterprises in North Central Nigeria.

Hypothesis Three: Efficiency-seeking foreign investment has no significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria

The result of hypothesis three indicates that efficiency seeking private foreign investment had coefficients of estimate which was significant $\beta_3 = 0.505$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis and conclude that efficiency-seeking private foreign investment has no significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria. This indicates that for each unit increase in efficiency seeking investment, there is 50.5 % increase in export behaviour.

4.3 Discussion of Findings

The findings of the study were discussed based on the objectives of the study:

Determine the spillover effect of market-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria

The findings of the study from objective one showed that market-seeking foreign investment has significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.011) was lower than the significance level. This can be statistically given as P-value $0.011 < \alpha = 0.05$. This finding is supported by Truong and Dong (2021), Xuan and Xing (2008), Adamu and Priyanga (2021); Adewumi (2006) established that market-seeking foreign investment significantly affects economic growth in Nigeria. Saibu and Keke (2014) also asserted a significant relationship between foreign investment and economic growth and development in Nigeria.

Investigate the effect of resource-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria

Also, the findings of the study revealed that resource-seeking private foreign investment has significant effect on export behaviour of manufacturing medium enterprises in North Central Nigeria. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as P-value $0.000 < \alpha = 0.05$. This finding is in line with Adamu and Priyanga (2021); Ayashagba and Abachi (2002), Truong and Dong (2021), who found a positive relationship between resource-seeking private foreign investment and export behaviour in Nigeria.

Ascertain the effect of efficiency-seeking foreign investment on export behavior of manufacturing medium enterprises in North Central Nigeria

Finally, the result of the study from objective three indicates a significant relationship between efficiency-seeking foreign investment and export behaviour of manufacturing medium enterprises in North Central Nigeria. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as P-value $0.000 < \alpha = 0.05$. The findings also reinforce the establishment by Truong and Dong (2021), Makki and Somwaru (2004) which showed that,

the efficiency of foreign investment has significant relationship with economic growth in Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Based on the findings, the study concluded that market-seeking foreign investment, resource-seeking foreign investment and efficiency-seeking foreign investment have improved the export behavior of manufacturing medium enterprises in North central Nigeria.

5.2 Recommendations

Based on the conclusion, the researcher recommends the following:

- i. Managers of manufacturing medium enterprises in Nigeria should adopt market seeking foreign investment so as to improve their export behavior;
- ii. Managers of manufacturing medium enterprises in Nigeria should adopt resource seeking foreign investment so as to enhance their export behavior; and
- iii. Managers of manufacturing medium enterprises in Nigeria should adopt efficiency seeking foreign investment so as to improve their export behavior.

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