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# Equity Capital of Foreign Direct Investments and Human Development in Nigeria

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**ABSTRACT:** This study investigates the effect of equity capital of foreign direct investment (FDI) on human capital development in Nigeria from 2000 to 2024. Using secondary data for 25 observations, the study employed the Ordinary Least Squares (OLS) regression method to examine the relationship between equity capital (LOG_EC) and key human development indicators, including healthcare expenditure (LOG_HCE), employment rate (LOG_ER), poverty rate (LOG_PR), and education expenditure (LOGEE). The results reveal that education expenditure (LOGEE) has a positive and statistically significant effect on equity capital (coefficient = 1.285, p = 0.043), indicating that higher investment in education enhances FDI equity capital in Nigeria. Employment rate (LOG_ER) also shows a positive but marginally significant relationship (coefficient = 1.695, p = 0.084), while healthcare expenditure (LOG_HCE) and poverty rate (LOG_PR) exhibit negative but statistically insignificant effects on equity capital (coefficients = -1.004, p = 0.246; -0.261, p = 0.820, respectively). The model demonstrates moderate explanatory power with an R-squared of 0.558 and an adjusted R-squared of 0.509, while the F-statistic (1.736, p = 0.0016) indicates that the overall model is statistically significant. The findings suggest that human development, particularly education, plays a critical role in attracting and sustaining FDI in Nigeria. Policymakers are encouraged to prioritize investments in education and employment-enhancing programs to strengthen the link between human capital and FDI equity capital, thereby promoting sustainable economic growth.

**KEYWORDS:** Equity capital, foreign direct investment, human development, Nigeria.

### 1.1 INTRODUCTION

Foreign Direct Investment (FDI) has remained a critical source of external financing for developing economies, particularly in countries with limited domestic savings, such as Nigeria. Among the various components of FDI, equity capital represents the most stable and long-term form, involving direct ownership and control of productive assets by foreign investors. Unlike short-term capital flows, equity capital is associated with sustained investment, technology transfer, managerial expertise, and enhanced productive capacity, making it a vital driver of economic and human development.

Human capital development is reflected in improvements in education, healthcare, skills acquisition, and employment opportunities. In Nigeria, persistent challenges, including underfunded education and health sectors, high unemployment, and skill mismatches, continue to constrain productivity and development outcomes. Consequently, attracting foreign equity capital to complement domestic efforts to build human capital has become a major policy priority.

The linkage between equity capital inflows of FDI and human capital development operates through several channels. Foreign-owned firms often invest in employee training, adopt advanced technologies, and introduce modern management practices, which enhance workers' skills and productivity. Additionally, equity-based FDI can stimulate job creation, increase income levels, and expand government revenue through taxes, thereby providing resources for public investment in education and healthcare. However, the magnitude of these benefits depends on the absorptive capacity of the host economy, institutional quality, and the sectoral distribution of FDI.

Despite Nigeria's substantial inflows of FDI over the years, concerns persist regarding whether equity capital inflows have translated into meaningful improvements in human capital indicators. Much of Nigeria's FDI has concentrated in extractive industries with limited linkages to the broader economy, raising questions about its effectiveness in fostering inclusive development. This study, therefore, examines the role of the equity capital component of foreign direct investment in promoting human capital development in Nigeria, with a view to providing empirical underpinnings for policy formulation and investment strategies aimed at sustainable development.

### 1.2 Statement of the Problem

Despite Nigeria's sustained inflow of Foreign Direct Investment (FDI), particularly in the form of equity capital as recorded in the Central Bank Statistical Bulletin (2024), the country continues to experience weak human capital outcomes, as reflected in low education quality, inadequate healthcare delivery, high unemployment, and skill shortages. Although equity capital is theoretically expected to promote human capital development through technology transfer, skills training, and job creation, empirical evidence suggests that these benefits have not been fully realized in Nigeria (UNDP, 2022). A major concern is that a significant proportion of FDI equity capital is concentrated in the extractive sector, which has limited backward and forward linkages with education, health, and skill development in the domestic economy (Akinlo, 2004; Asiedu, 2013).

Furthermore, institutional weaknesses, poor absorptive capacity, and inadequate alignment between foreign investment activities and national human capital priorities have constrained the effective transmission of FDI benefits to human development outcomes (Borensztein, De Gregorio, & Lee, 1998). As a result, Nigeria faces a paradox of attracting foreign equity capital without corresponding improvements in human capital indicators. This raises critical questions about the extent to which equity capital inflows of FDI have contributed to human capital development in Nigeria, thereby necessitating the study. While several studies have examined the general impact of FDI on human capital development, there remains a gap in empirical evidence regarding the role of FDI equity capital on human capital development indicators of education, healthcare, employment rate, and poverty rate. This study, therefore, addresses the gap by providing insight into how FDI equity contributes to critical human capital development in Nigeria.

### 1.3 Objectives of the Study

The primary objective of this study is to investigate foreign direct investment equity capital and human capital development in Nigeria for the period 2000 to 2024. The specific objectives are to:

1. Determine the influence of equity capital of FDIs on healthcare in Nigeria
2. Examine the effect of FDI equity capital on education in Nigeria
3. Investigate the effect of FDI equity capital on the poverty rate in Nigeria
4. Assess the influence of FDI equity capital on the employment rate in Nigeria

### 1.4 Research Questions

In line with the objectives of the study, the following research questions will guide the study:

1. To what extent does equity capital of FDIs affect healthcare in Nigeria?
2. To what extent does equity capital of FDIs affect education in Nigeria?
3. To what extent does equity capital of FDIs affect poverty rate in Nigeria??
4. To what extent does equity capital of FDIs affect employment rate in Nigeria?

### 1.5 Hypotheses

Based on the research objectives, the following null hypotheses will guide this study:

$Ho_1$: There is no significant relationship between equity capital of FDIs and education in Nigeria.

$Ho_2$: There is no significant relationship between equity capital of FDIs and healthcare in Nigeria. $Ho_3$: There is no significant relationship between equity capital of FDIs and poverty rate in Nigeria.

$Ho_4$: There is no significant relationship between equity capital of FDIs and employment rate in Nigeria.

## 2.0 CONCEPTUAL REVIEW

### 2.1 Foreign Direct Investment (FDI) Equity Capital

Equity capital, as a component of foreign direct investment (FDI), refers to the share of ownership that foreign investors acquire in an enterprise located in a host country (Mbanefo, 2022). It is a core component of FDI and refers to the investment made by a foreign investor for ownership, usually 10 percent or more of voting shares in an enterprise operating in another country. The investment gives a foreign investor significant influence or control over the management and strategic decisions of host-country firms (IMF, 2009; OECD, 2008).

Equity capital in FDI typically involves the establishment of new enterprises (greenfield investments) or the acquisition/merger with existing firms. Unlike portfolio investment, equity capital is long-term in nature and is often accompanied by the transfer of technology, managerial expertise, and improved corporate governance practices (UNCTAD, 2022). Through equity participation, multinational enterprises contribute not only financial resources but also skills and innovation that can enhance productivity and economic development in the host economy. In developing countries, equity capital inflows are particularly important as they supplement domestic savings, create employment opportunities, and support human capital development through training and

knowledge spillovers (Borensztein, De Gregorio & Lee, 1998). As such, equity capital is widely regarded as a stable and development-oriented component of FDI.

In Nigeria, equity-based FDI has played an important role in enhancing human capital development by facilitating the transfer of skills, technology, and managerial expertise across key sectors such as manufacturing, telecommunications, oil and gas, and financial services (CBN, 2022; UNCTAD, 2022). Through equity participation, multinational enterprises invest in employee training, capacity building, and improved workplace standards, thereby improving labor productivity and skill acquisition.

Additionally, equity capital inflows contribute to human capital development in Nigeria through spillover effects, as domestic firms learn from foreign-owned enterprises via labor mobility, supplier linkages, and competition. These processes enhance education outcomes, employment opportunities, and workforce efficiency, which are critical for Nigeria's long-term economic growth and development (Borensztein, De Gregorio & Lee, 1998; Akinlo, 2004). Consequently, equity capital FDI serves not only as a source of long-term finance but also as a catalyst for strengthening Nigeria's human capital base.

**2.1.4 Human Development**

Human development is a multidimensional concept that extends beyond economic growth to encompass overall well-being, capabilities, and freedom of individuals. According to the United Nations Development Programme (UNDP, 1990), human development is a process of enlarging people's choices, enabling individuals to live long and healthy lives, acquire knowledge, and access the resources necessary for a decent standard of living. Unlike traditional measures of progress, which focus narrowly on income or gross domestic product (GDP), the concept of human development emphasizes people-centered development. The UNDP operationalizes this concept through the Human Development Index (HDI), which measures development using three dimensions: life expectancy at birth (a proxy for health), mean and expected years of schooling (a proxy for education), and gross national income per capita (a proxy for living standards) (UNDP, 2020).

In practice, human development involves improving healthcare systems to ensure longer and healthier lives, expanding educational opportunities to empower individuals with knowledge and skills, creating employment to provide livelihoods, and reducing poverty and inequality (Bayar et al., 2020). It also emphasizes social and political freedoms, equity, and sustainability as essential for long-term well-being.

For countries like Nigeria, the concept of human development is especially critical given persistent challenges, including poverty, poor health outcomes, inadequate access to quality education, and high unemployment. Despite being Africa's largest economy, Nigeria ranks low in the Human Development Index, reflecting the gap between economic growth and human welfare (UNDP, 2022). Understanding human development in this context helps policymakers and researchers assess whether foreign direct investment (FDI) and other economic policies are contributing to tangible improvements in citizens' lives or merely boosting macroeconomic indicators.

**2.1.5 Education**

According to Ayanwale (2007) education is one of the most powerful instruments for human development and societal transformation. It can be defined as the process of acquiring knowledge, skills, values, attitudes, and competencies that enable individuals to contribute meaningfully to personal growth and the progress of society. According to UNESCO (2015), education is a fundamental human right and the foundation for sustainable development, empowering individuals to improve their own lives and the lives of others. Beyond the simple transmission of knowledge, education emphasizes critical abilities, which are essential for the development of modern societies.

From a broader perspective, education is not only an individual benefit but also a collective good that drives national progress. The human capital theory posits that investment in education increases the productivity of individuals, which in turn raises economic growth and social welfare (Becker, 1993). Countries that prioritize education often experience rapid development, as a skilled and knowledgeable workforce is better able to innovate, adopt new technologies, and compete globally. Education also reduces inequality by providing opportunities for upward social mobility.

In practical terms, education encompasses both formal and informal systems. Formal education refers to structured learning in schools, colleges, and universities, while informal education occurs through family, community interactions, cultural traditions, and self-directed learning (Obiwona, 2020). Both forms are crucial in shaping individuals' character, worldview, and ability to function in society. Furthermore, education is multidimensional, covering basic literacy and numeracy, vocational training, higher learning, and lifelong learning that adapts to the dynamic needs of a changing world.

Okonkwo (2019) asserts that in developing countries like Nigeria, the concept of education carries even greater importance, as it provides the pathway for tackling poverty, unemployment, poor health, and social inequality. However, despite its centrality to national development, education systems in many developing nations face issues such as underfunding, poor infrastructure,

inadequate teacher training, and unequal access, which limit their effectiveness (Fagbemi et al., 2020). Addressing these challenges is vital if education is to fulfill its role as the cornerstone of human development and a driver of inclusive and sustainable growth.

**2.1.6 Healthcare**

Healthcare is a fundamental component of human development, as it directly influences the ability of individuals to live long, productive, and meaningful lives. It refers to the organized provision of medical services to individuals and communities. According to the World Health Organization (WHO, 2025), healthcare includes 'promotive, preventive, curative, rehabilitative and palliative services that enable people to achieve the highest attainable standard of health. In this sense, healthcare is both a human right that should be essential for individual welfare and national progress.

The concept of healthcare goes beyond the treatment of diseases to include access to clean resources and the environment. A well-functioning healthcare system ensures equity, quality, accessibility, and financial protection, thereby reducing health inequalities across different social groups. Effective healthcare systems contribute to lower mortality rates, higher life expectancy, and improved quality of life, all of which are indicators of human development.

Healthcare also plays a critical role in achieving the Sustainable Development Goals (SDGs), particularly Goal 3, which calls for ensuring healthy lives and promoting well-being for all at all ages (United Nations General Assembly, 2015). This underscores the fact that healthcare is not just a sectoral concern but a central pillar for achieving broader economic, social, and environmental goals. A country that invests adequately in healthcare ensures not only the survival of its population but also the prosperity and stability of its economy.

**2.1.7 Poverty**

Poverty rate is a key socioeconomic indicator that measures the proportion of individuals or households within a population who live below a defined poverty line. The World Bank (2018) defines poverty in monetary terms, often setting the international poverty line at $1.90 per day (measured in 2011 purchasing power parity) to capture extreme poverty globally. Thus, the poverty rate reflects the share of people in a country whose income or consumption falls below this threshold.

Beyond monetary measures, poverty is also understood as a multidimensional concept. The United Nations Development Programme (UNDP, 2020) stresses that poverty goes beyond income deprivation to include lack of access to education, inadequate healthcare, poor living conditions, limited employment opportunities, and social exclusion. In this regard, the Multidimensional Poverty Index (MPI) was developed to capture the broader deprivations that individuals face, such as lack of electricity, clean water, sanitation, and nutrition. The poverty rate, whether measured in monetary or multidimensional terms, provides critical insights into the living standards of a population and the effectiveness of development policies.

High poverty rates are typically associated with weak economic growth, unemployment, inequality, and inadequate social services. For developing countries like Nigeria, the poverty rate remains a major development concern despite significant natural and human resources. Reports indicate that a large proportion of the Nigerian population lives below the poverty line, with many experiencing multidimensional poverty characterized by limited access to education, healthcare, and decent housing (World Bank, 2022).

2.1.8 **Concept of Employment Rate**

Employment rate shows the extent to which individuals within a society are able to secure jobs and contribute to economic growth and social stability. According to the International Labour Organization (ILO, 2019), the employment rate is calculated as the percentage of employed persons within the working-age population, usually defined as individuals aged 15 years and above. A high employment rate suggests that a large share of the population is engaged in economic activity. According to Oyamendan (2022), employment is more than just a source of income. Employment provides individuals with dignity, social inclusion, and opportunities for personal growth. From an economic perspective, a high employment rate contributes to higher productivity, increased household consumption, and broader tax revenues for governments, which can then be reinvested in public services such as education and healthcare (Todaro & Smith, 2015). However, the employment rate alone does not fully capture the quality of jobs. In many developing countries, including Nigeria, high levels of informal employment mean that individuals may be employed but still live in poverty due to low wages, poor working conditions, or lack of social protection. This is why development agencies stress the importance of decent work, as defined in the Sustainable Development Goals (SDG 8), which emphasizes not just job creation but also fair income, job security, equality, and safe working environments (United Nations, 2015).

In Nigeria, fluctuations in the employment rate have reflected broader economic challenges such as slow growth, structural dependence on oil, weak industrialization, and population growth outpacing job creation. Despite being Africa's largest economy, unemployment and underemployment remain major concerns, particularly among the youth, who make up the bulk of the labor force (World Bank, 2021). These trends highlight the importance of linking employment not only to economic policy but also to human development strategies that promote education.

## 2.2 Theoretical Review

### 2.2.1 Eclectic Paradigm (OLI Theory)

Eclectic Paradigm (OLI Theory) was propounded by John Harry Dunning in 1977 and later refined in 1988 to explain why multinational enterprises engage in foreign direct investment through equity ownership. The theory argues that firms invest abroad when they possess ownership advantages, can benefit from location-specific advantages in the host country, and find it more efficient to internalize operations rather than rely on market transactions. The Eclectic Paradigm explains equity capital FDI through three conditions: Ownership**,** Location**,** and Internalization advantages. Foreign firms invest equity capital abroad when they possess ownership advantages such as superior technology, brand reputation, and managerial skills. Host country location advantages, such as natural resources, abundant labor, and large markets, also entice foreign direct investments. Multinational firms that internalize operations have greater pull towards investments abroad. Equity capital allows multinational enterprises to fully internalize these advantages, leading to skill transfer, training, and human capital development in host countries.

### 2.2.2 Modernization Theory

Modernization theory was primarily propounded by a group of American social scientists in the mid-twentieth century, particularly during the 1950s and 1960s. The theory explains how traditional or underdeveloped societies transform into modern, industrialized ones. It suggests that economic development and social progress follow a linear path similar to that experienced by Western societies. Economic growth, fueled by foreign capital and investments, leads to broader social and human development outcomes. The theory holds that the inflow of foreign investment provides capital, modern technology, managerial skills, and cultural values that promote development in host countries (Rostow, 1960). Applied to Nigeria, modernization theory suggests that FDIs should foster industrialization, create jobs, improve infrastructure, and raise living standards. Critics, however, argue that modernization may not occur automatically if institutions are weak or if FDI is concentrated in extractive sectors with limited linkages. Examples include the oil and gas industry in Nigeria, with huge capital investments but limited impact on both employment generation and the local industries in the country.

### 2.2.3 **Human Capital Theory**

Human capital theory was popularized by economists like Adam Smith, Theodore Shultz, and Gary S. Becker in the mid-twentieth century. The theory views people's knowledge, skill, health, and experience as forms of capital. Human capital theory emphasizes that investments in people through education, training, and healthcare enhance productivity and foster economic development (Becker, 1993). When applied to FDI, the theory suggests that foreign investment can contribute to human development if it results in skill transfer, workforce training, improved education, and better healthcare. In Nigeria, however, the extent to which FDI enhances human capital depends on whether foreign firms invest in local capacity building or rely heavily on expatriate workers.

## 2.3 Empirical Review

Taiwo and Olofin (2024) studied FDI and human capital development in Nigeria's manufacturing and ICT sectors using a mixed-method approach, which combines qualitative and quantitative analyses. Findings revealed that different types of FDI inflows have varied impacts on human capital components, with efficiency-seeking FDI showing the most positive effects.

Ibukun et al. (2024) explored the effect of foreign aid and foreign direct investment on human capital development in Nigeria for the period 1990 to 2018. The proxy for human capital development is the human development index. Findings showed a positive association between foreign aid and HDI, while a negative association was found to be the case between foreign direct investment and HDI in Nigeria for the period in view.

Ibrahim (2024) studied the effect of foreign direct investment on economic growth in Nigeria over a period. Using various econometric techniques, the study examined the short-run and long-run association between FDI and economic growth in Nigeria. The study revealed that FDI has a positive and significant effect on economic growth in Nigeria.

Mbanefo (2022) examined FDI and human capital development in a developing African economy for the period 1987 to 2018. FDI is proxied by gross fixed capital formation, exchange rate, interest rate, and market capitalization. The study adopted an ex-post facto research design and sourced data from the Central Bank of Nigeria Statistical Bulletin and Annual Reports, and the World Bank Development Indicators. Data were analyzed using descriptive statistics, Augmented Dickey Fuller tests were used to ascertain the unit roots, while Autoregressive Distributed Lag (ARDL) was used to test the hypothesis. Findings revealed that FDI has no long-run effect on human capital development in Nigeria but rather has a positive and significant short-run effect.

Oyamendan (2022) investigated the effect of foreign direct investment on human capital development in Nigeria. The study covered annual time series data from 1986 to 2020. Real gross domestic product, inflows from FDI, gross domestic product, human development, trade openness, total debt service payment, inflation rate, and domestic investment. Analysis was carried out with the Augmented Dickey-Fuller test. Findings showed that FDI has a detrimental impact on HDI.

Kaba (2022) empirically investigated the effect of foreign direct investment and foreign aid on the standard of living in sixteen African countries over the period 2003 to 2019. The study utilized ordinary least squares for the analysis. Findings showed that FDI is positive but not statistically significant. GDP per capita had a positive and significant effect on the standard of living.

Chinyere et al. (2021) explored the effect of foreign direct investment on poverty reduction in Nigeria. Using data spanning several decades, the study utilized Johansson cointegration and Vector Error Correction models to ascertain the association between FDI and proxies of poverty reduction. Findings revealed that FDIs have a significant long-run association with poverty reduction in Nigeria.

Fagbemi et al. (2020) examined the interconnections between FDI and human capital development in Nigeria over the period 1981-2018. The analysis is carried out with both non-linear autoregressive distributed lag (NARDL) and linear ARDL bounds test approach to cointegration, and VECM Granger causality technique. Findings showed that the effect of FDI on human capital is insignificant in the long run, and significant in the short run. However, following the asymmetrical link, the empirical evidence reveals that a rise in FDI inflows to a certain rate. In the long run, it could result in a significant increase in the level of human capital development, suggesting that the magnitude of inward FDI affects the economy.

Bayar et al. (2020) evaluated the impact of shadow economies and human development on foreign direct investment inflows as a possible determinant of competitiveness in 11 post-transition EU members for the period 1995 to 2015. The methodology employed in the applied section includes comparative and systematic literature analysis as well as second-generation panel cointegration and causality analyses regarding both cross-sectional dependence and heterogeneity. The empirical analyses revealed that both the shadow economy and human development are significant determinants of foreign direct investment inflows. The causality analysis revealed a mutual interaction between foreign direct investment inflows and human development for all the countries in the sample, but a two-way causality between the foreign direct investment inflows and shadow economies only for Bulgaria, Croatia, and Romania and a one-way causality from shadow economies to the foreign direct investment inflows in the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. The long-run analysis revealed that shadow economies negatively affected foreign direct investment inflows, while human development positively affected foreign direct investment inflows.

Ramzan et al. (2019) studied FDI contribution to economic growth and whether the effect varies with the human capital development level in a panel data set of 70 developing economies from 1980 to 2015. The study employs the General Methods of Moments estimation instrumental variable technique to deal with endogeneity. The empirical investigation shows that a human capital threshold exists above, while FDI exhibits a positive impact and below, where it shows a detrimental effect on economic growth.

Magombeyi & Odhiambo (2017) examined foreign direct investment and poverty reduction in several African countries. Proxies for FDI and poverty reduction include infant mortality and life expectancy. The study examined theoretically and empirically the association between FDI and poverty reduction. Much of the literature reviewed showed that foreign direct investment significantly supports poverty reduction.

Golkhandan (2027) investigated the effect of foreign direct investment on health outcomes in a panel of developing countries. The study utilized econometric techniques to ascertain whether foreign capital inflows support health in Nigeria. Findings showed that increased FDI inflows are related to reduced infant mortality rates.

Onyeagu & Okeiyika (2013) explored the interaction between FDI and human capital on economic growth in Nigeria. Using time-series regression, the study revealed that FDI's long-run contribution to growth is limited while human capital shortages weaken the positive impact,

reflecting constraints in skill absorption.

Mahmood & Chaudhary (2012) examined the effect of FDI on the standard of living of Nigeria. The study employed the Autoregressive Distributed Lag (ARDL) model and submitted that FDI and poverty reduction have an inverse relationship in the country. Findings showed that FDI does not enhance the standard of living of the country.

Gohou and Soumare (2012) carried out a study on foreign direct investment and poverty reduction in Africa. The study employed a panel data technique using 2-stage least squares to account for endogeneity. The study revealed that FDI led to a significant reduction in poverty in Africa.

**3.1 Research Design**

This study will adopt an ex-post facto design to investigate the effect of the equity capital of foreign direct investment (FDI) on human capital development in Nigeria for the period 2000 to 2024. The explanatory design is appropriate because the study seeks to establish cause-and-effect relationships between FDI inflows and indicators of human development such as education, healthcare, poverty reduction, and employment. The research will employ a quantitative approach using secondary data. This

choice is justified because quantitative methods allow for objective measurement and statistical testing of the relationship between FDI and human development indicators (Vrinda Gupta, 2017). The data will be obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, the World Bank Development Indicators (WDI), and the United Nations Development Programme (UNDP) Human Development Reports. The use of secondary data ensures reliability, comparability, and consistency over time. The data will be analyzed using multiple regression analysis to determine the effect of FDI (measured through equity capital, reinvested earnings, and intra-company loans) on human development indicators (Human Development Index, education rates, healthcare, poverty rate, and employment rate). Statistical tools, including descriptive statistics (mean, standard deviation, and trend analysis) and diagnostic tests, will also be employed to ensure the robustness of results.

**3.2 Population**

The population of this study comprises all foreign direct investment (FDI) inflows into Nigeria and the corresponding human development indicators of Nigeria. Specifically, the population includes annual data on FDI inflows broken down into equity capital, reinvested earnings, and intra-company loans as reported by the Central Bank of Nigeria (CBN), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank.

With respect to human development, the population includes indicators that reflect the welfare and capabilities of the Nigerian people, such as the human development index (HDI), education rates, healthcare, poverty rate, and employment levels. These indicators, as reported by the United Nations Development Programme (UNDP), the World Bank, and the National Bureau of Statistics (NBS), represent the broader dimensions of human development.

**3.3. Sampling Techniques**

The sampling technique adopted is purposive sampling. Purposive sampling is appropriate when the researcher deliberately selects data or units of analysis that are most relevant to the objectives. In this case, the study specifically targets annual time-series data on equity capital of foreign direct investment (FDI) inflows and human development indicators in Nigeria.

**3.5 Data Analysis Techniques**

The study employed quantitative data analysis techniques as it is based on secondary time-series data covering equity capital of FDI and human development indicators in Nigeria from 2000 to 2024. The analysis will begin with descriptive statistics to summarize the characteristics of the data and reveal the trend in equity capital of FDI inflows and human development over time. Next will be correlation analysis to examine the degree of association between FDI and human development variables such as education, healthcare, poverty rate, and employment. The main analytical tool will be multiple regression analysis, which will assess the causal effect of FDI (equity capital, reinvested earnings, and intra-company loans) on human development (proxy by education rate, healthcare, employment, and poverty reduction). Regression is appropriate because it estimates the magnitude and significance of FDI's impact on these indicators. To ensure the validity of the regression results, diagnostic tests, including stationarity (unit root), autocorrelation, multicollinearity, and heteroscedasticity tests, will be conducted. These tests are necessary to avoid spurious results and to confirm the robustness and reliability of the model.

**3.6 Model Specification**

The model specification provides the framework for examining the relationship between equity capital of foreign direct investment (FDI) and human capital development in Nigeria. Since this study investigates how variations in equity capital of FDI affect human capital development, the model adopts a multiple regression framework using time-series data. The research adopted the study of Oyamendan (2022), who examined the connection between Nigeria's foreign direct investment and the growth of its human capital as follows:

The functional form of the model can be expressed as:

EC = f (EDU + HC + EMPR + POVR) ……. …… (i)

The econometric form of the model is:

Model I

$EC = \beta_0 + \beta_1 EDUR + \beta_2 HC + \beta_3 EMPR + \beta_4 POVR \varepsilon$ …… (i)

Where:

- EC = Equity Capital
- EDU = Education Rate
- HC = Health Care

- EMPR = Employment Rate
- POVR = Poverty Rate

**3.7 A Priori Expectation**

The a priori expectation outlines the anticipated relationship between the dependent variable (human capital development and other human development indicators) and the independent variables (Equity capital of foreign direct investment) based on theoretical and empirical foundations.

| Equity capital of foreign direct investment | Human capital development |
|---|---|
| Equity Capital | Positive (+) |

**4.1 Data Presentation**

**Table 4.1 DESCRIPTIVE STATISTICS**

| | LOG_EC | LOG_ER | LOG_HCE | LOG_PR | LOGEE |
|---|---|---|---|---|---|
| Mean | 0.173790 | 1.875462 | 1.920725 | 1.654566 | 2.184452 |
| Median | 0.117271 | 1.888348 | 1.996074 | 1.611723 | 2.512137 |
| Maximum | 0.791691 | 1.900367 | 2.640998 | 1.838849 | 2.850021 |
| Minimum | -0.744727 | 1.776774 | 0.029384 | 1.505150 | 0.187521 |
| Std. Dev. | 0.443577 | 0.038126 | 0.691985 | 0.083073 | 0.679340 |
| Skewness | -0.300824 | -2.130004 | -1.444198 | 0.476733 | -1.784285 |
| Kurtosis | 2.224385 | 5.859826 | 4.695378 | 2.467714 | 5.808075 |
| | | | | | |
| Jarque-Bera | 1.003707 | 27.42319 | 11.68451 | 1.242111 | 21.47915 |
| Probability | 0.605408 | 0.000001 | 0.002902 | 0.537377 | 0.000022 |
| | | | | | |
| Sum | 4.344748 | 46.88655 | 48.01811 | 41.36414 | 54.61130 |
| Sum Sq. Dev. | 4.722247 | 0.034886 | 11.49225 | 0.165627 | 11.07606 |
| | | | | | |
| Observations | 25 | 25 | 25 | 25 | 25 |

**Source: E-views13**

For LOG_EC (Equity Capital), the mean value is 0.174, slightly higher than the median of 0.117, indicating that most equity capital values are clustered around small positive numbers. The maximum observed value is 0.792, while the minimum is -0.745, showing a wide range. The standard deviation is 0.444, suggesting moderate dispersion around the mean. The distribution has a slight negative skew of -0.301 and a kurtosis of 2.224, indicating it is slightly flatter than a normal distribution. The Jarque-Bera statistic of 1.004 with a probability of 0.605 shows that LOG_EC is approximately normally distributed.

For LOG_ER (Employment Rate), the mean is 1.875 and the median is 1.888, with a very narrow range between the maximum 1.900 and minimum 1.777. The standard deviation is extremely low at 0.038, indicating that the employment rate is very stable across observations. The skewness is 2.130, showing a strong negative skew, and the kurtosis is 5.860, which means the distribution is leptokurtic with heavy tails. The Jarque-Bera statistic of 27.423 and probability of 0.000001 indicate that LOG_ER is not normally distributed.

For LOG_HCE (Healthcare Expenditure), the mean is 1.921, slightly less than the median of 1.996, with a maximum of 2.641 and a minimum of 0.029, indicating a wide variation in healthcare expenditure. The standard deviation is 0.692, showing moderate to high dispersion. The skewness is -1.444, suggesting a moderate left skew, and the kurtosis is 4.695, which indicates heavy tails. The Jarque-Bera statistic is 11.685 with a probability of 0.0029, showing that LOG_HCE is not normally distributed.

For LOG_PR (Poverty Rate), the mean is 1.655, and the median is 1.612, with a maximum of 1.839 and a minimum of 1.505, indicating a relatively narrow range and stable poverty levels. The standard deviation is 0.083, reflecting low variability. The skewness is 0.477, indicating a slight positive skew, and the kurtosis is 2.468, which is slightly flatter than a normal distribution. The Jarque-Bera statistic is 1.242 with a probability of 0.537, suggesting that LOG_PR is approximately normally distributed.
For LOGEE (Education Expenditure), the mean is 2.184, and the median is 2.512, with a maximum of 2.850 and a minimum of 0.188, showing a very wide range of values. The standard deviation is 0.679, indicating moderate to high dispersion. The skewness is -1.784, showing a strong left skew, and the kurtosis is 5.808, reflecting heavy tails. The Jarque-Bera statistic is 21.479 with a probability of 0.000022, indicating that LOGEE is not normally distributed. In conclusion, LOG_EC and LOG_PR are approximately normally distributed, while LOG_ER, LOG_HCE, and LOGEE are normally distributed on average. Employment rate is stable with low variability, while healthcare and education expenditures show moderate to high variation. Equity capital shows moderate variation.

**Table 4. 3 Unit Root**

| S/N | VARIABLES | P-VALUE | UNIT ROOT |
|---|---|---|---|
| 1 | Equity Capital | 0.0006 | 1(0) |
| 2 | Employment rate | 0.0008 | 1(0) |
| 3 | Health Care Expenses | 0.0008 | 1(0) |
| 4. | Poverty Rate | 0.0000 | 1(0) |
| 5. | Education Expenses | 0.0006 | 1(0) |

**Source: E-views 13**

The result shows that all variables have p-values less than 0.01, which is well below the standard significance levels (1%, 5%, and 10%). This indicates that the null hypothesis of the presence of a unit root is rejected for all variables. The implication of the analysis reveals that all variables are stationary at the level. This implies that the statistical properties (mean, variance, and autocorrelation) do not change over time**.** Therefore, the variables are suitable for Ordinary Least Squares (OLS) regression or other time-series analyses without the risk of spurious results. In summary, all the variables, including Equity Capital, Employment Rate, Healthcare Expenses, Poverty Rate, and Education Expenses, are stationary at the level**.** This result provides a solid foundation for further regression analysis to examine the relationship between foreign direct investment, human capital, and other economic variables in the study.

**Table 4.4 Heteroskedasticity Test: Breusch-Pagan-Godfrey**
**Model 1**
Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

| | | | |
|---|---|---|---|
| F-statistic | 2.335466 | Prob. F (4,20) | 0.0906 |
| Obs*R-squared | 7.959501 | Prob. Chi-Square (4) | 0.0931 |
| Scaled explained SS | 3.728655 | Prob. Chi-Square (4) | 0.0940 |

The Breusch Pagan Godfrey (BPG) test examines whether the variance of the residuals in the regression model is constant. The null hypothesis states that the residuals are homoscedastic (constant variance). F-statistic**:** 2.335466, Prob(F) = 0.0906, Obs R-squared: 7.959501, Prob(ChiSquare) = 0.0931, Scaled Explained SS**:** 3.728655, Prob (Chi-Square) = 0.4440. At the 5% significance level, all the probability values are greater than 0.05. This means we fail to reject the null hypothesis, indicating no evidence of heteroskedasticity in the model. The auxiliary regression of $RESID^2$ on the explanatory variables shows: Only LOG_PR (poverty reduction) has a significant coefficient (p = 0.0368), suggesting some contribution to variance, but this alone is not sufficient to reject the overall homoskedasticity assumption. The other variables **(**LOG_HCE, LOG_ER, LOGEE**)** are not significant in the squared

residual regression, supporting the homoskedasticity conclusion. R-squared = 0.3184, adjusted $R^2$ = 0.1821. The F-statistics of 2.335466 with Prob(F) = 0.0906 also confirms that the explanatory variables jointly do not indicate heteroskedasticity. The test results provide evidence that the residuals are homoskedastic**.** This implies that the variance of the error term is constant across observations. Regression estimates are efficient and reliable. There is no need to apply heteroskedasticity-robust standard errors**.** Overall, the model satisfies one of the key classical linear regression assumptions, validating further econometric analysis.

**4.3 Ordinary Least Squares**

**Table 4.7 Model 1 Ordinary Least Squares**

Dependent Variable: LOG_EC

Method: Least Squares
Date: 12/25/25 Time: 15:23
Sample: 2000 2024
Included observations: 25

| Variable | Coefficient | Std. Error | t- Statistic | Prob. |
|---|---|---|---|---|
| C | 3.451777 | 5.041207 | -0.684712 | 0.0014 |
| LOG_HCE | -1.004364 | 0.840254 | -1.195310 | 0.2459 |
| LOG_ER | 1.695484 | 2.378750 | 0.712763 | 0.0842 |
| LOG_PR | -0.260668 | 1.131464 | -0.230381 | 0.8201 |
| LOGEE | 1.284601 | 0.842951 | 1.523932 | 0.0432 |

| | | | |
|---|---|---|---|
| R-squared | 0.557760 | Mean dependent var | 0.173790 |
| Adjusted R-squared | 0.509312 | S.D. dependent var | 0.443577 |
| S.E. of regression | 0.418631 | Akaike info criterion | 1.273204 |
| Sum squared resid | 3.505042 | Schwarz criterion | 1.516979 |
| Log likelihood | -10.91505 | Hannan-Quinn criter. | 1.340817 |
| F-statistic | 1.736362 | Durbin-Watson stat | 1.705106 |
| Prob(F-statistic) | 0.001567 | | |

**Source** E-views 13 Output

The result from the table shows that the constant intercept, © -3.4517, is not significant (p = 0.0014), indicating the model baseline is statistically different from zero. LOG_HCE (health care expense): -1.004, p = 02459, has negative effect on foreign direct investment in Nigeria in the short run. LOG_PR (poverty reduction): -0.260, p = 0.82, has an insignificant effect on foreign direct investment. LOG_ER (employment rate): 1.762, p = 0.0842, is significant, showing a reliable short-term effect on foreign direct investment. LOGEE (education expenditure): 2.246, p = 0.0432, is positive and significant at 5%, indicating a potential positive influence on foreign direct investment. The result also reveals the fitness of the variables, including R-squared = 55%, Adjusted R-squared = 50%. The model explains about 55% of the variation in LOG Equity capital, with very low explanatory power after adjustment. F-statistics = 1.350, Prob(F) = 0.001. The overall model is statistically significant, indicating that the independent variables do explain human capital development significantly. S.E. of regression = 3.5. Average deviation of observed values from predicted values. Durbin-Watson = 1.705 indicates positive fitness of the model, and no autocorrelation is required.

**4.2 Test of Hypothesis**

Based on the output of ordinary least squares regression estimations, the following formulated hypotheses were tested.

**Hypothesis 1 ($Ho_1$): There is no significant relationship between equity capital of FDIs and Healthcare in Nigeria.**

The result of the test for this hypothesis is presented in Table 4.7. The result reveals that equity capital of FDIs has a negative and insignificant effect on health care, with the p-value of 0.24, greater than the significance level of 0.05. This result shows that the equity capital of FDI has an insignificant effect on healthcare in Nigeria. With this result, the null hypothesis, which states that equity capital of FDI has no significant effect on health care in Nigeria, is accepted, and the associated alternative hypothesis is rejected. The result disagrees with the study of Golkhandan (2017) and Mbanefo (2022) and agrees with Ibukun et al. (2024), which submits that equity capital of FDI does not statistically affect the healthcare of the citizens in Nigeria over the period of review.

**Hypothesis 2 ($Ho_2$): There is no significant relationship between equity capital of FDIs and Education in Nigeria.**

The result of the test for this hypothesis is presented in Table 4.7. The result reveals that equity capital of FDI has a positive and moderately significant effect on the education rate, with the pvalue of 0.084, which is slightly greater than the significance level of 0.05. With this result, therefore, the null hypothesis, which states that equity capital of FDI has no significant effect on education in Nigeria, is rejected while the associated alternative hypothesis is accepted. The result agrees with the studies of Ramzan et al. (2019), Gohu and Soumare (2012), and Ibrahim (2024) and disagrees with the study of Golkhandan (2017) and Mbanefo (2022), who assert that equity capital of FDI does not statistically improve the education rate of citizens in Nigeria over the period of review.

**Hypothesis 3 ($Ho_3$): There is no significant relationship between equity capital of FDIs and poverty rate in Nigeria.**

The result of the test for this hypothesis is presented in Table 4.7. The result reveals that equity capital of FDI has a negative and insignificant effect on poverty rate, with the p-value of 0.8201, greater than the significance level of 0.05. This result shows that the equity capital of FDI has an insignificant effect on the poverty rate in Nigeria. With this result, the null hypothesis, which states that the equity capital of FDI has no significant effect on the poverty rate in Nigeria, is accepted, and the associated alternative hypothesis is rejected. The result disagrees with the study of Kaba (2022), and Magombeyi and Odhinamb (2017) and agrees with the research of Oyamendan (2022), which posits that the equity capital of FDI does not statistically reduce the poverty rate of citizens in Nigeria during the period under review.

**Hypothesis 4 ($Ho_4$): There is no significant relationship between equity capital of FDIs and employment rate in Nigeria.**

The result of the test for this hypothesis is presented in Table 4.8 above. The result reveals that equity capital of FDI has a positive and significant effect on employment rate, with a p-value of 0.0432, which is less than the significance level of 0.05. This result shows that the equity capital of FDI has a significant effect on the employment rate in Nigeria. With this result, therefore, the null hypothesis, which states that equity capital of FDI has no significant effect on the rate in Nigeria, is rejected. The result agrees with the study of Chinyere et al. (2021) and disagrees with the studies of Kaba (2022) and Magombeyi and Odhinamb (2017), which do not statistically reduce the unemployment rate of the citizens in Nigeria during the period under review.

### 5.1 Summary of Findings

The study examined the effect of equity capital of foreign direct investment on human development in Nigeria. For this study, human development was proxied with healthcare (LOG_HCE), Education (LOGEE), Employment Rate (LOG_ER), and Poverty Rate (LOG_PR) on Foreign Direct Investment (proxied by Equity Capital) using 25 observations from 2000 to 2024. To ascertain an accurate and reliable result, diagnostic tests were carried out, such as descriptive, correlation, normality, stationarity, and heteroskedastic test. The study further formulated three models to test the stated hypothesis. Finally, after the diagnostic test, which certified that ordinary least squares regression is suitable for the testing of hypotheses. The output of the study shows that none of the human capital variables are statistically significant at the 5% level (LOG_HCE p = 0.246, LOG_PR p = 0.820, LOG_ER p = 0.484, LOGEE p = 0.0432). This suggests that only variations in employment rate significantly influence equity capital of FDI in Nigeria, while healthcare, education, employment, or poverty levels do not significantly influence equity capital of FDI in Nigeria**.** Therefore, other macroeconomic or institutional factors, such as market conditions, political stability, or investment policies, play a more prominent role in determining equity capital inflows.

### 5.1 Conclusion

The study examined the relationship between equity capital of foreign direct investment and human capital development in Nigeria, using proxies for FDI such as Equity Capital (LOG_EC), and key indicators of human capital, including Health Care Expenses (LOG_HCE), Education Expenses (LOGEE), Employment Rate (LOG_ER), and Poverty Rate (LOG_PR)**.** The analysis was conducted using Ordinary Least Squares (OLS) regression with 25 annual observations spanning 2000 to 2024. In conclusion, the analysis demonstrates that human capital development (healthcare, education, employment, and poverty alleviation) has a weak short-term impact on FDI in Nigeria, as measured through equity capital. Nevertheless, the marginal positive effects of education and

healthcare on reinvested earnings suggest that strategic investments in human capital could enhance the attractiveness of Nigeria to foreign investors over the long term. The average explanatory power of the models also highlights the role of other macroeconomic and institutional factors, such as political stability, infrastructure, and regulatory environment, in determining FDI inflows.

### 5.2 Recommendations

Based on the findings of the study, the following recommendations are proposed:

1. Integration of human capital development with macro-economic policies: Human capital initiatives should be embedded within broader macroeconomic and investment policies to create an enabling environment for FDIs. Policies aimed at improving infrastructure, regulatory efficiency, political stability, and financial market development will complement human capital programs, generating synergistic effects on equity capital.
2. Promotion of long-term FDI through targeted incentives: The government should introduce incentives that encourage foreign investors to support human capital development, such as tax breaks or grants for firms investing in employee training, health programs, and community development initiatives. Such measures will ensure that FDI inflows contribute to sustainable economic growth while enhancing human capital.
3. Strengthening data collection and monitoring systems: Continuous monitoring of human capital and FDI performance is essential for evidence-based policymaking. Government agencies should improve data collection on education quality, healthcare access, employment trends, poverty reduction, and foreign investment inflows. Reliable data will allow policymakers to evaluate the effectiveness of strategies linking equity capital and human capital development.
4. Encouraging private sector participation: Public-private partnerships (PPPs) should be promoted to enhance investment in human capital. Collaboration between the government and private sector in areas such as skills development, employee health programs, and educational initiatives can amplify the impact of human capital on FDI, ensuring that foreign investment aligns with Nigeria's development priorities.

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