Role of Small and Medium Scale Enterprises in Boosting Foreign Direct Investment in Nigeria

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Abstract

The study examined the potential for small and medium-sized enterprises in Delta state and by extension Nigeria, to attract more foreign direct investment. The study was motivated by the need to solve the problems associated with foreign direct investment in Delta State. The study was guided by three key objectives, and it was from these that appropriate research questions and hypotheses were derived. Survey design was used for this investigation. The 200 staff members of the chosen SMEs in Delta State were chosen using a simple random selection approach. Using the Cochran (1977) statistical technique, a sample size of 120 respondents was picked from a population of 200 recruited from the management, middle, and lower cadre of the chosen manufacturing enterprises. The study confirmed that SMEs in Delta State have the potential to draw foreign direct investment. Additionally, it was revealed that factors like the lowering of labour movement from rural to urban regions by fair income distribution promote foreign direct investment in Delta State. The study also discovered that SMEs in Delta State face considerable challenges in attracting foreign direct investment. The study, therefore recommended the promotion of policies that will support SMEs in Delta State.

Keywords: Foreign Direct Investment, Small and medium-size Enterprise, Technological transfer, Environmental sustainability, National Development.

Introduction

In the past few decades, the expansion of Foreign Direct Investment (FDI) in the Least Developed Countries, particularly African nations, has been incredibly rapid, mostly in nations with larger markets and natural resource (Aitken & Harrison1997). An investment made by a firm or individual in one nation into commercial interests based in another country is known as a foreign direct investment (FDI) (OECD 2021). FDI often occurs when an investor develops overseas business operations or purchases foreign business assets in foreign stocks of businesses with foreign headquarters. The Onitsha main market is home to the majority of the major import merchants from Eastern Nigeria. Each year, local dealers are known to import at least six consignments totaling 40 tons (40-foot containers) of products. More than 200 consignments of 40 tons of products are shipped by some of the largest importers each year. These consist of accessories, apparel, home goods, and business and industrial equipment (Chukwuka 2016).
Small and medium-sized businesses (SMEs) have contributed significantly to the growth of most industrialized countries and are one of the most promising areas for future economic expansion

Small and medium-sized businesses are crucial in determining the economic, social, and future prospects of nations all over the world, particularly emerging nations. Without commerce, no nation has ever advanced. The context in which trade operates and the goals it supports, however, have a significant impact on how much trade contributes to development. Additionally, a lot of other developing nations, especially the less developed ones, have started unilateral trade liberalization in recent years, with at best extremely mixed outcomes in terms of boosting growth and development.

Examining how small and medium-sized businesses might encourage foreign investment in Nigeria's Delta State was the study's main goal. One of the main specific objectives of the study is to determine the extent to which small and medium-sized enterprises (SMEs) have contributed and attracted foreign investment to Delta State. The following alternative study hypotheses were tested:

i. There is no significant relationship between SMEs and direct foreign investment in Delta State.

Review of Related Literature

The literature reviewed on this topic appears to support the consensus among scholars that foreign firms do, through FDI, transfer technology to their affiliates (Karahasan & Pinar 2022). This process can also allow spillover to unaffiliated firms in the host economy, which in turn boosts growth through increases in local firms' productivity and efficiency (Karahasan & Pinar 2022). According to Karahasan and Pinar (2022), FDI boosts productivity in Nigeria by fostering technical and operational spill over to local businesses, fostering innovation among small and medium-sized enterprises, enabling technology uptake, and fostering human capital. Additionally, Hove and Tursoy (2019) show that international companies have a positive spillover effect on domestic firms' productivity, which are primarily comprised of small and medium-sized enterprises. However, the pressure on the climate change targets, however, comes from the flow of foreign direct investment (FDI) from developed to developing nations because of laxer environmental regulations, affordable labour, and natural resources. Even though, the fact that FDI flows to developing nations result in knowledge spill overs (Hove & Tursoy, 2019). According to Aldaba and Aldaba (2010) findings, the size of the market, the development of the infrastructure, and stable macroeconomic policy are the main factors influencing FDI in Nigeria. But because the others are absent, only the market size of these factors somewhat promoted FDI into Nigeria. Due to a lack of infrastructure and unpredictable macroeconomic policies, although FDI in Nigeria contributes significantly to economic growth, its total impact on small and medium-sized firms has not been that important. According to OECD (2021), technology transfer by multinational corporations either directly to their foreign-owned operations or indirectly to locally owned and managed corporations in the host country contributes to economic growth.

Concept of Foreign Direct Investment (FDI)

People in one nation acquire ownership of assets in order to take control of a company's production, distribution, and other operations in another country through a process known as foreign direct investment (Haskel *et al*, 2002). Foreign direct investment is described as "the objective of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise)" in the OECD Benchmark Definition of Foreign Direct Investment (OECD, 2021). The ongoing interest demonstrates the direct investor's continued long-term involvement with the business and significant amount of control over its management.

The Origin and Development of FDI in Nigeria

The Royal Niger Company (RNC), which was awarded a charter in 1886 to ship palm oil from Nigeria to Liverpool and import the refined palm oil back into the nation in the form of soap, is responsible for the beginning and growth of FDI in Nigeria. In order to create the United African Trading Firm (UAC), a branch of Unilever in Nigeria, the company amalgamated with Africa and Eastern Trading Corporation. Shell BP, which exported its first oil in 1958, is another company that had a considerable effect on the growth of foreign direct investment in Nigeria. Then come Gulf Oil (now a subsidiary of Chevron), Mobil, ELF, Agip, and Texaco, to name a few. John Holt, UTC, Julius Bergers, SCOA, and other companies in the industry (Baridam, 1990). The emergence of oil corporations and the flood of FDI during the post-civil war years (1973–1979) in Nigeria led to the country's highest-ever yearly income of roughly 7.5 US billion dollars. Nigeria was considered to be the richest country in black Africa based on this level of revenue. The third National Development Plan (1975–1980), which was estimated to have cost N30 billion or N50 billion, was used as a test case for evaluating Nigeria. This amount of spending attracted both domestic and international investors. 300 Nigerian enterprises participated in the first-ever international trade expo, which drew 57 foreign nations. Following this incident, FDI into Nigeria exploded, bringing in companies like IBM, Dupon, Chase Mahathan, ITT, Ford Motor, and others. Two British banks, Barclays Bank (now Union Bank of Nigeria) and Standard Bank (now First Bank of Nigeria Plc), were nationalized, which was viewed as a positive step for the economy in the context of nationalism. Before 1972, when the Nigerian Enterprise Promotion Proclamation went into force to regulate FDI operations in Nigeria, direct investment dominated the country's economy. The 1977 Indigenization order, which attempted to make Nigerians shareholders of the majority of these FDI, was what ultimately restrained the increase in FDI (The Union Bank of Nigeria Plc, 1995). It has been highlighted that FDI contributed to capital flight out of the country by failing to reinvest the majority of their earnings in the nation. Even after setting up manufacturing facilities in Nigeria, FDI continued to import a significant number of intermediate products; a product that contributes to the depletion of foreign exchange frequently transfers the product of technology. FDI both brings in and takes away capital. Net Capital Flow is the crucial concern in this case (Amy, 1998). In fact, Akhter (1993) shown through his study between 1971 and 1988 that Nigeria was unmistakably funding the developed nations. Few economic sectors, most notably oil, are the focus of the majority of FDI. According to Ake (1983), the oil business has almost no internal links and almost all external ones, which exacerbates the Nigerian economy's disintegration.

Sources and Destinations of Foreign Direct Investment

Unsurprisingly, the high-income developed countries are the main sources of FDI. Between 1987 and 1992, these nations received over 90% of our FDI, and between 1993 and 1998, they received more than 85% of it. The advanced nations, who received more than 70% of FDI input from 1988 to 1998, turn out to be the primary FDI beneficiaries. Even while it is obvious that developed nations are the primary recipients of FDI, it is important to note that 10 developing nations account for two-thirds of the overall FDI influx to developing nations. China received 30.6 percent of these. China had a four-fold growth in FDI from 1988 to 1997 (Aldaba & Aldaba, 2010). From 1988 to 1992, the nation received 2.9 percent of all FDI globally, but from 1993 to 1997, that percentage rose to almost 12 percent (Aldaba & Aldaba, 2010). The nation's development has exploded, and the pace of growth is steadily rising at a rate never previously witnessed in economic history. China stands out from other emerging economies in this way.

According to research on the economic effects of foreign direct investment in South Asia conducted by Hove and Tursoy (2019) using panel data from five South Asian nations and time-series, cross-section analysis; India, Pakistan, Bangladesh, Sri Lanka, and Nepal are among the countries where international and domestic investment have synergistic impacts. The impact of FDI inflows on GDP growth rate, he continues, is negative before to 1980, marginally positive during the early 1980s, and considerably favourable throughout the late 1980s and early 1990s. In the 1960s and 1970s, the majority of South Asian nations adopted import substitution strategies and imposed high import taxes.

Understanding the Contributions of Foreign Direct Investment to the Environment

Direct, stable, and long-term ties between economies are made possible through FDI, a kind of investment that represents the goal of building an enduring interest by a resident firm in one economy in an enterprise in another nation. Particularly, foreign investment is a significant source of private funding and a means of transferring knowledge between economies (Blomstrom et al., 1999). Analysis of the environmental consequences of FDI has primarily relied on case studies due to the lack of systematic data on the volume and trends of FDI that supports green growth objectives. Part II gives a quick summary of the data that is currently available (further in-depth discussions of the literature review may be found in the Appendix) and draws comparisons to other global flows, such as commerce and assistance. To comprehend the possibilities for green investment, it is crucial to understand the backdrop. It also offers helpful data that forms the basis for some of the hypotheses established later on in the study to get an approximate estimate of FDI that is green.

Concept of Small and Medium Enterprises (SMEs)

There is no universally recognized definition of small and medium-sized businesses. There hasn't been a small and medium business definition that is widely acknowledged (SMEs) every country in the world has a different definition, and these definitions differ from one country to the next. However, the characteristics of the definition, such as the number of employees, capital size, turnover, and legal requirement, or a combination of these features, have always been the meeting point. Small and medium-sized businesses with enormous potential for building domestic capacity for quick considerable industrial growth have taken center stage in recent years as part of Nigeria's economic reforms, replacing grandiose, capital-intensive large-scale industrial projects (Chukwuka, 2016). It is essential to understand the structure and operational scale of small and medium-sized businesses. Independent management, which is independent of all parties save the owners and is predominately practiced by sole proprietorships, partnerships, and private limited companies, is one of the prominent markers. However, due to a lack of trust, Nigerians prefer "one man" businesses. The majority of small and medium-sized businesses are found in the country's interior. Another key characteristic of small and medium-sized businesses is their administrative flexibility. Due to the complete absence of administrative bottlenecks, this has significantly increased their production and profitability.

Role of the SME Sub-Sector in the Economy

Success tales of the beneficial effect, positive influence, and contributions of SMEs in industrial advancements, technical discoveries, and export promotion may be found in plenty when studying historical experience of economic growth and development in different nations (Alfaro & Rodriguez-Clare, 2004). The Industrial Revolution of 1760–1850 is a noteworthy example of the innate inventiveness of SMEs, which is now being challenged more than ever in the twenty-first century, especially as the winds of economic change, technological advancements, and industrial liberalization have swept across various economies around the globe. Despite these difficulties, SMEs continue to be equally significant and essential economic drivers in developed and developing nations. In many industrialized nations, the SME sub-sector accounts for more than 90% of all firms, and in Japan, Germany, and the USA, where small businesses employ, respectively, 80%, 50%, and 46% of the entire industrial labour force, small businesses account for about 39% of total national revenue.

Significance of the SME Sub-Sector in the Nigerian Economy

Nigerian SMEs are neither exempt nor immune from the common issues and limitations faced by SMEs in other industrialized nations. Almost every nation supports its SMEs, primarily because of the vital part they play in the nation's overall economic development and progress. Instead of protection and subsidies, the aid is typically provided in the form of facilities and supported services. In addition, some governments offer infrastructure, tax breaks, information training and retraining, commercial finance, venture capital, assistance for research and development (R&D), and funding for R&D. Occasionally, non-governmental groups are involved in the provision of some of these amenities by local governments and business groupings (NGOs). Over the last 30 years, the government has established a number of support organizations and financing options to help SMEs obtain capital, (Blomstrom & Kokko, 1996). Including Small Scale Industries Credit Scheme (SSICS) 1971, Nigerian Bank for Commerce and Industries (NBCI) 1973, Nigerian Industrial Development Bank (NIDB) 1964, SME Apex Unit of Central Bank (1989), National Economic Reconstruction Fund (NERFUND) 1989, The African Development Bank/ Export Stimulation Loan (ADB/ESL) 1989, Nigerian Export Import Bank (NEXIM), National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDDC), Community Banks, People's Bank, Family Economic Advancement Programme (FEAP), State Ministry of Industry SME Schemes, Small and Medium Industries Equity Investment Scheme (SMIEIS) 15.Bank of Industry (BOI), Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN), Credit Guarantee Scheme for SMEs (underway). AGSMEIS, CBN Anchor Borrowers Program. Despite the aforementioned well-intentioned institutions' best efforts, the SME sector in Nigeria has failed to establish its footing in the country's complex business climate.

Performance Factors of Small and Medium Scale Enterprises

Efficiency, effectiveness, productivity, profitability, solvency, leverage, activity, and morale are performance criteria for SMEs.

Efficiency: Effectiveness: The dictionary defines effective as having an impact or choosing the appropriate course of action. When something is stated to be effective, it indicates that it produces the defined results or those that were intended when the item in question was designed (Glass & Saggi, 2002).

Productivity: Productivity has been described as a measurement of how effectively resources are organized and used to achieve a set of results. Achieving the best degree of performance while using the fewest resources possible (Girma, 2005).

Profitability: The income or difference between sales revenue and total costs is referred to as profit (Javorcik, 2004). The valuation of an organization provides a summary of its profitability. The primary goal of measuring profitability is, in fact, to produce a business valuation that will serve as a critical evaluation of the investment's value. Effectively, the present value of an enterprise's future stream may be used to describe its worth (Gorg & Strobl, 2001).

Solvency: Solvency is a performance factor distinct from profitability. The capacity of a business to pay its immediate financial commitments and so prevent the danger of insolvency is known as "solvency" (Gorg & Strobl, 2001).

Leverage: Leverage is a measurement of how much of the company's total capital is supported by long-term debt.

Activity: The usage of resource by the firm is referred to as activity.

Foreign Direct Investment in Nigeria

According to Greenaway et al (2004), steadily growing privatization programs in several nations have opened the door for foreign investment in Africa. In the 1990s, a sizeable portion of FDI connected to privatization, mostly in the mining and telecom industries, was directed to a small number of countries, including Angola, Ghana, Mozambique, Nigeria, and South Africa. However, there were important regional variations. The most important element of capital, technology, management, and marketing enterprises places attracting direct foreign investments at the top of their agendas. Such resources often have the impact of increasing the production capacities of the recipient country.

Before gaining independence from British colonial authority, Nigeria reportedly welcomed FDI like United Africa Company (UAC), which was engaged in the buying and sale of palm oil, a significant source of foreign cash for the nation. However, a lot of things changed politically, socially, and economically once the nation gained its independence from Britain in 1960. To assure the existence of the nation, different economic measures were developed at the time of independence. Oil was discovered in the early 1970s, and shortly after that, significant investments began to flow into the nation in an effort to access the vast oil reserves there. The nation has become a mono-income economy by the 1980s.

Summary of Gap in Literature

It is important to note that there has been ongoing discussion among researchers on the relationship between foreign direct investment and the growth of SMEs in Nigeria throughout the time period under study in order to establish a connection between these two factors. According to Buckley (2002), FDI improved capital accumulation. According to Girma et al. (2001), FDI will increase the productivity of locally held businesses (SMEs). Generally speaking, both direct and indirect methods are designed to boost the efficiency of businesses in the host economy. Although it implied that FDI would directly increase the productivity of the industry in which a foreign business works.

One major contribution of this study is the fact that it has changed the narrative that SME's contribute and attract foreign direct investment unlike previous studies that have contrasting views. Despite the enormous advantages of FDI, some academics believe that there are certain unfavourable repercussions on the growth of SMEs. The authors' efforts in the extensive literature show that the connection between FDI and the growth of SMEs in the Nigeria and also in Delta state, 2018–2023, has not been clearly stated. This is the gap that this study is trying to address.

Theoretical Framework

This study is anchored on the Political Economy paradigm's integration of New Growth Theory. The 1990s saw the emergence of the new growth or endogenous hypothesis, which sought to explain why many less developed nations were performing poorly despite having adopted neoclassical-inspired policies. Aldaba and Aldaba (2010) have proposed new growth theory. In order to stimulate foreign private investment in knowledge-intensive sectors like computer software and telecommunications, the new growth theory advocates the involvement of government and public policies in complementing investments in human capital production (Blomstrom & Ari Kokko, 1996).

Research and development (R&D) in emerging nations frequently comes before the products of knowledge and innovation, according to the New Growth Theory, which focuses on the economic forces driving technical advancement. This theory places a strong emphasis on the necessity of employing policy intervention as a tool to promote economic growth in developing nations.

Application of the Theory

Understanding how FDI hinders SMEs' development in Delta State is necessary for the implementation of new growth theory as an explanatory framework. The focus is on the various ways that the government promotes foreign direct investment and develops laws that unintentionally impede the growth of local businesses (SMEs). According to some proponents of this idea, such policies frequently result in the displacement of local businesses, increased unemployment linked to the use of capital-intensive technologies for production, and a significant loss of political autonomy (Gorg & Strobl, 2001).

Research Methodology

The study used descriptive survey method through the design and distribution of questionnaire. The study's population was chosen at random from 200 employees of the chosen SMEs in Delta State. Consequently, data collected were subject to different statistical analysis and results presented in tables and percentages for easy understanding. Research question and test of hypothesis were analyzed using multiple regression and correlation approach using SPSS version 20.

Data Analysis / Interpretation

Analysis of Research Questions

Department "A": Personal Data of Respondents

Table 1: Age Distribution of Respondents

Age	No. of Respondents	Percentage%
18-28yrs	35	29.16
28-38yrs	42	35
38-48yrs	23	19.17
48-58yrs	20	16.67
Total	120	100

Source: Field Survey, 2022

Data in Table 1 have shown the various age distribution of respondents.

Table 2: Academic Qualification of Respondents

Academic Qualification	No of Respondents	Percentage%
SSCE	40	33.33
NCE/OND	30	25
HND/B.SC	35	29.17
MSC	15	12.5
PhD	-	-
Total	120	100

Source: Field Survey, 2022

Data in Table 2 have shown that 40 respondents were holders of SSCE certificate, representing 33.3%, NCE/OND pulled respondents, which represent 25%, HND/BSC has 35 respondents, which scores 29.17%, MSc. certificate holders were 15, which is a representation of 12.5% while PhD certificate, could not produce any respondent and percentage. This implies that data were collected from respondents with different educational backgrounds.

Analysis of Research Questions

Department "B":

Research question 1: What are the Contributions of SMEs to Foreign Investment in Delta State?

Research question one was answered with questionnaire item 1, 2, 3 and 4.

Table 3: To ascertain the contributions of SMEs to foreign investment in Delta State?

S/N	ITEMS OF THE QUESTIONS	SA	A	SD	D	UND	Mean	Remark
1	SMEs has contributed positively to the growth of foreign investment in Delta state	45 (37.5)	40 (33.33)	10 (8.33)	20 (16.67)	5 (4.17)	3.76	Sign
2	SMEs provision of trade skills has increased the growth of foreign investment in Delta	50 (41.67)	33 (27,5)	17 (14.17)	9 (7.5)	11 (9.16)	3.75	Sign
3	Equitable income distribution of the SMEs has advanced the Foreign investment in Delta state.	17 (14.17)	50 (41.67)	33 (27.5)	11 (9.16)	9 (7.5)	3.05	Sign
4	SMEs has attracted foreign investments to Delta state	30 (25)	25 (20.83)	10 (8.33)	30 (25)	25 (20.83)	3.29	Sign

Source: Field Survey, 2022

Note: Figures in parenthesis are percentages: (SA = strongly agree; A = Agree; D = Disagree; SD= Strongly disagree and UND = Undecided)

From Table 3, the response to item 1 shows that 37.5% strongly agreed, 33% agreed 8.3% strongly disagreed, 16.7% disagreed and 4% were undecided. The mean response of 3,76 implies that the respondents totally agreed with the construct. In item 2, it shows that 41.6% strongly agreed, 27.5% agreed 14% strongly disagreed, 7.5% disagreed and 9.1% were undecided. The mean response of 3,75 is significant and implies that the respondents totally agreed with the construct.
In item 3, the result show that 14.17% strongly agreed, 41.6% agreed 27.5% strongly disagreed, 9.2% disagreed and 7.5% were undecided. The mean response of 3, 05 are significant and imply that the respondents totally agreed with the construct.

Testing of Hypothesis

The data gathered from the field survey were used to test the hypothesis of the study. For this investigation, three hypotheses were established. The following steps were taken in the sequence of hypothesis testing: restating the hypothesis, analyzing the results, comparing the results with the decision rule, and verifying the hypothesis to accept or reject.

Statement of Hypothesis

Test of Hypothesis One: Hi There is no significant relationship between SMEs and foreign investment in Dela State.

In testing the above hypothesis, the study uses the result of simple linear regression between Contributions of SMEs and foreign investment.

Table 4. To ascertain the contributions of SMEs to foreign investment in Delta State

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.990[a]	.980	.979	.55833	1.344

a. Predictors: (Constant), X4, X2, X3, X1

b. Dependent Variable: Foreign investment

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1713.317	4	428.329	1374.005	.000[b]
	Residual	35.850	115	.312		
	Total	1749.167	119			

a. Dependent Variable: Foreign investment

b. Predictors: (Constant), X4, X2, X3, X1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.688	.164		4.192	.000
	X1	1.330	.154	.463	8.618	.000
	X2	.906	.136	.337	6.641	.000
	X3	.044	.094	.017	.474	.636
	X4	.570	.107	.195	5.336	.000

a. Dependent Variable: Foreign investment

Source: SPSS Result output (Version 20)

The analysis showed a strong (P0.0000.05) correlation between the contributions of SMEs and foreign investment. R is 0.990, R2 is 0.980, modified R2 is 0.979, p-value 0.000, and F-stat. 1374.00 is all taken from the model summary.

Applying the decision rule, the study rejects the null hypothesis—that there is no significant association between SMEs and foreign investment—and accept the alternative since the p-Value of our regression result is 0.0000.05. The study endorses the alternative theory that suggests that contributions of SMEs to foreign investment in Delta state are positively and significantly correlated.

Discussion of the Research Findings

The study confirmed through empirical survey and analysis that the participation of SMEs in Delta has a significant and positive impact on foreign direct investment. This means that SME's contribute positively to foreign direct investment in Delta state. This finding concurs with that made by Tuluce and Dogan (2014), who noted a favourable correlation between the contributions of SMEs and foreign direct investment. The study concludeso that SMEs provision of trade skills has increased the growth of foreign investment in Delta state. This finding has made it imperative for government to promote SME efforts with funding and subsidies in their effort in attracting foreign direct investments. The paper also established through survey analysis that the equitable income distribution of the SMEs has advanced the foreign direct investment in Delta state. The study observed that some high performing SMEs in the state has attracted foreign investments through foreign linkages and direct acquisitions thereby boosting foreign direct investment and developing the local economy. This finding is in agreement with Rasmussen and Strohein's results from 2005 study, which concludes that characteristics that draw foreign investment are advantageous and important for foreign direct investment. The study also shows that some SMEs face considerable funding challenges when it comes to attracting foreign direct investment. This result is consistent with Dike's (2009) assertion that the lacks of financial issues SMEs are experiencing are having an impact on foreign direct investment growth. One issue that affects both international investments and domestic ones in Delta state is the inconsistent nature of the government's policies. The study affirmed that the rise of foreign investment in Delta state is being severely hampered by the absence of functioning seaports. The study asserts that the government should quickly resuscitate the Warri see port which has not been functional recently.

Conclusion

This study has examined the role of small and medium scale enterprises in boosting foreign direct investment in Nigeria using the case of Delta State in Nigeria. The study findings revealed that the SMEs in Delta State have the potential to attract foreign direct investment. Additionally, it was shown that reducing of labour movement from rural to urban regions by fair income distribution promotes foreign direct investment in Delta State. The study findings also revealed that SMEs in Delta State are significantly boosting and luring in foreign direct investment. It further demonstrated the strength and favourability of the variables for foreign direct investment in Delta State. The study affirmed that the rise of foreign investment in Delta State is being severely hampered by the absence of functioning seaports. The study concludes that the government should quickly resuscitate the Warri Sea port which has not been functional recently.

Recommendations

Based on the foregoing result, the following recommendations are hereby articulated:

i. Soft loans or interest free loans should be granted by government and financial institutions in Nigeria to enable the SMEs raise enough capital or consolidate their capital bases.

ii. Some SMEs have been forced to close down because of high cost of doing business in Delta State. The government should step in and make policies that will lower the cost of doing business so that both the moribund and the new ones will be able to contribute their quota towards boosting FDI.

iii. The Delta State government should ensure that the Warri see port is functional to boost foreign direct investment.

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