Accessing Threshold Issues in the Impact of Foreign Direct Investment on Economic Growth: Evidence from Sub-Saharan African Countries

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**Abstract**

This work examines the nexus connecting foreign direct investment (FDI) and economic growth in Sub-Saharan African (SSA) countries specifically to ascertain the threshold issues in the impact of FDI on economic growth of SSA economies. Thus FDI, has been known to be a critical, indispensable and integral part of foreign flows in capital, which refers to ventures by multi-national corporations (MNCs) having their headquarters in industrialized part of the world. Therefore, due to its growing importance, it becomes necessary to know the level at which FDI is not statistically significant to impact on the growth of most SSA economies. The study covered time frame of 1990 to 2016 for 36 Sub-Saharan African countries. The data employed for this study was secondary data and was collected from World Bank Development Indicator (2016). The econometric methodology used was the fixed effect model, random effect model, the Hausman test, the dynamic panel data model using the Generalized Method of Moments System (GMM SYS) and the Wald test. Coming from the static model, the output from the Hausman test suggested that the Random Effect Model is more efficient than the Fixed Effect model however, the econometric results of both the static and the dynamic models revealed that FDI inflows significantly affect the economy of SSA positively. The result also revealed that there were no threshold issues in the impact of FDI on the growth of SSA economies. The study recommended that SSA countries should invest more on setting up institutions that will guarantee an investment friendly environment so as to attract increased FDI inflows into such region, tailored down towards individual specific goals which will propel rapid economic growth in SSA countries. In addition, the region should channel past foreign aids to areas in which they were initially assigned.

**Keywords:** FDI, Economic Growth, Econometrics

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