

Evaluating the Impact of Foreign Investment in Public Quoted Firms on Firm Performance: Insights from Nigeria's Market Dynamics and Investment Success Factors

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Abstract

Foreign investment is important for firm performance, especially in emerging markets like Nigeria. However, its effects on publicly quoted companies remain underexplored. This study assesses how foreign investment impacts firm performance based on key market dynamics and investment success factors. The research examines how foreign investment influences profitability and market performance in Nigeria. It focuses on revenue allocation trends, sectoral performance, and the impact of GDP growth, inflation, exchange rates, and political stability. A quantitative approach was used, analyzing secondary data from nine quoted companies across six sectors over 15 years (2007-2022). Descriptive statistics and regression analysis measured financial metrics like Return on Equity (ROE), Return on Invested Capital (ROIC), and Net Profit Margin (NPM) against market conditions. Results showed that sectors like communication (ROE of 116.5% for MTN Nigeria) and consumer goods (ROIC of 42.7% for Nestlé Nigeria) benefited significantly from foreign investments, while energy and healthcare struggled. Market factors, including inflation (13.08%) and exchange rates (279.75 NGN/USD), had statistically significant effects ($p < 0.05$). The study concludes that while foreign investment boosts firm performance, market volatility and sector-specific challenges remain. Recommendations include stronger regulations, targeted incentives, and improved political stability to attract investment.

Keywords

Foreign Investment, Economic Growth and Investment, Firm Performance, Investment Success Factors

1. Introduction

Recently, international investment opportunities, especially in emerging economies, have drawn increasing attention. International firms are looking to invest outside their borders to enhance their portfolios and take advantage of emerging markets. Nigeria, one of Africa's largest economies, is capturing the interest of foreign investors due to its relatively underdeveloped investment landscape.

More recent data (Agogbua, 2024) shows emerging entrepreneurial activity in Nigeria, resulting in increased corporate establishments in various industries like technology, healthcare, agriculture, fintech, and renewable energy. The devotion of the government to promote innovation and create a business-friendly environment has bolstered this entrepreneurial activity (Egere et al., 2024). Also, the large, youthful demographic of Nigeria, along with growing internet access, offers good prospects for creative entrepreneurs (Erondu & Erondu, 2023).

The improvements noted above have resulted in foreign companies showing their commitment to invest in businesses in Nigeria. Investments made by foreign companies in Nigeria are now one of the important sources of international capital. They apply their knowledge of mergers, acquisitions, and share purchases, along with the strong Nigerian banking sector (Biodun et al., 2024). Locally, these investments enable companies in Nigeria to diversify their holdings, penetrate new markets, and harness the growth opportunities that Nigerian businesses present. Cross-border investments are timed well and are great, strong, and aggressive growth opportunities. At the same time, they have their own distinct difficulties. Several critical success factors, such as the legislative frameworks, culture, markets, and operations, are also important (Katoma & Qutieshat, 2024). Foreign investments in Nigerian businesses make it important to grasp the regulatory environment. Nigerian regulatory bodies such as the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (CAC) have sought to enable international investments by speeding up registration of businesses and safeguarding investors' rights (Shaba, 2024). Such as bureaucracy and corruption, inconsistent regulatory enforcement, and policy focus are still problems (Akpoghome, 2024).

Grasping and integrating the local culture is important for securing trust, communication, and collaboration with local entrepreneurs (Korry et al., 2024). As the study shows, cultural intelligence aids in the forming of relationships, sharing of information, and in making well-informed decisions, thus nurturing investment success (Saif et al., 2023). The Nigerian market is exceptionally promising due to the country's population, emerging middle class, and its appetite for goods and services (Adeleke et al., 2023). It does, however, pose certain challenges like poor infrastructure, limited financing, and unstable politics. The viability and scale of some ventures may be affected by some of these challenges. Foreign firms investing in Nigeria need to evaluate the market conditions very carefully, taking into account the market potential, competition, and other prevailing industry conditions (Kazeem et al., 2023). Other challenges for foreign investors in Nigerian busi-

nesses include the local workforce, the supply chain, local partners, and compliance with local laws and regulations (Odusina, 2022).

The effectiveness of cross-border investments by foreign firms in Nigeria is a complex phenomenon shaped by cultural differences, legal frameworks, market dynamics, and logistical difficulties. These comparisons provide a rich, in-depth understanding of cross-border investments in Nigeria. While there is some literature concerning the elements that shape cross-border investments, it is concerning that there is little research focusing on the dynamics of foreign quoted investments in Nigeria. Filling such gaps in the literature requires focused research that will define the variables that determine the success or failure of such investments, and in turn, explain the rationale behind them.

1.1. Research Aim

This topic aims to evaluate the impact of foreign investment on the performance of public quoted firms in Nigeria by analyzing key market dynamics, sectoral variations, and investment success factors.

1.2. Research Objectives

To achieve this aim, the study focuses on the following objectives:

- 1) To examine the trends in foreign investment within Nigeria's publicly quoted firms over the period 2007-2022.
- 2) To assess the impact of foreign investment on firm performance using financial metrics such as Return on Equity (ROE), Return on Invested Capital (ROIC), and Net Profit Margin (NPM).
- 3) To analyze sectoral differences in investment performance, identifying which industries benefit the most from foreign investment.
- 4) To investigate the influence of Nigerian market conditions—including GDP growth, inflation, exchange rates, and political stability—on foreign investment outcomes.
- 5) To provide recommendations on regulatory frameworks, sector-specific incentives, and macroeconomic policies to enhance the effectiveness of foreign investment in Nigeria.

1.3. Research Questions

To guide this study, the following research questions will be addressed:

- 1) How has foreign investment in public quoted firms in Nigeria evolved over the past 15 years?
- 2) What is the relationship between foreign investment and firm performance in Nigeria's publicly quoted firms?
- 3) Which sectors have experienced the most significant benefits from foreign investment, and which have faced challenges?
- 4) How do macroeconomic factors such as GDP growth, inflation, exchange rates, and political stability influence the success of foreign investment in Nigeria?

5) What policy measures can be implemented to improve the sustainability and impact of foreign investment on firm performance in Nigeria?

2. Literature Synthesis

2.1. Existing Studies on Investments in Nigeria

Their intricacies, challenges, and opportunities have all been explored over the years throughout multiple studies on investments in Nigeria. They provide invaluable insight into the investment climate of Nigeria and expand our understanding of investments in the country. This chapter discusses, from scholarly positions and recent findings, some of the existing literature on investment in Nigeria. **Emerah and Oyedele (2023)** studied the determinants of venture capital investment in Nigerian companies. The study identified key elements such as the value of the markets, experience of the team, intellectual property ownership, and traction in the market as important determinants of investment. The study's findings underscored the importance of these factors for venture capital investment. It underscored some of the factors that investors take into account in Nigeria as well. **Lange et al. (2024)** explored the role of investors in Nigeria. The study assessed the challenges that investors face in Nigeria. It brought to the fore the need for angel investors to undertake early-stage financing, mentoring, and networking for the new generation of business owners in the country. It also analyzed the role of investors in the promotion of innovation and entrepreneurship in Nigeria.

Falade and Adeosun (2024) studied the impacts of government interventions on investment activities in Nigeria. The study focused on the impacts of government activity, policy, and investment support on the investment climate in the country's ecosystem. The analysis was helpful in understanding the effectiveness of government policies and identified opportunities for policy revisions that may enhance investment. **Paul and Rena (2024)** studied the impact of crowdfunding platforms on the financing of Nigerian entrepreneurs. The study sought to understand the emergence of crowdfunding as a novel financing avenue for Nigerian entrepreneurs, along with the challenges and opportunities associated with this financing model. The study highlighted the ability of crowdfunding platforms to enhance the accessibility of capital and promote entrepreneurship in Nigeria. **Emerah and Oyedele (2023)** conducted a study focused on the challenges faced by Nigerian entrepreneurs in accessing venture capital financing. The study pointed out that the major challenges are the lack of financing channels, inadequate physical infrastructure, regulatory constraints, and governance challenges. The study underscored the necessity of active policies aimed at infrastructure and investment climate to support investment-driven development in Nigeria.

By examining the particular challenges, opportunities, and factors that impact investment choices, these studies deepen our understanding of investments in Nigeria. They highlight the multifaceted role of venture capital, investment, economic policy, public regulation, crowdsourcing, and the entire entrepreneurial

network in promoting investment in Nigeria. These studies are beneficial to Nigeria's policy and investment strategists, as well as to its entrepreneurial community, by providing the necessary information to devise action, intervention, and investment frameworks that can assist in building a vibrant ecosystem in Nigeria.

2.2. Research Gaps

While the volume of research focused on investment in Nigeria is growing, there are still some gaps that have not been addressed. These gaps are the gaps in research that define the scope of work that needs to be done in order to enhance the understanding of investments in Nigeria. This is where the research gaps, which are based on scholarly concepts and current research trends, arise.

2.2.1. Limited Understanding of the Investor's Decision-Making Process

Although quite a number of studies have looked into the factors influencing investment in listed companies in Nigeria, the understanding of the investor's decision-making processes remains shallow. Such research can be centered on the specific standards, risk-assessment frameworks, and due diligence processes of different classes of investors, which include venture, mergers, acquisitions, and corporate investors. Knowing investor decision-making processes may assist businesses in positioning themselves tactically in investment-seeking initiatives and also help in designing policies aimed at stimulating investment activity.

2.2.2. Performance of Investments over the Long Term

In Nigeria, an alarming number of scholarly works focus on short-term metrics of performance, such as financial returns and growth in market share. However, the investment performance and results of Nigeria in the area of long-term investment are not fully understood. Much understanding of the investment performance and the success rate of investment in Nigeria can be achieved by studying the long-term sustainability, growth, and exit strategies of companies.

2.2.3. Impacts of Policy and Regulatory Framework

Although existing literature has examined the impact of government policies on investments in Nigeria, there is a gap in the literature on the overarching policy and regulatory framework. The impacts of policy actions are evaluated based on the implementation of specific policies, legal frameworks, tax and support programs, and their impact on investment behavior. This study could also assist in determining how policy frameworks can be optimized to stimulate investments in Nigeria.

2.2.4. Sector-Specific Analysis

While some industries may be more "sexy" to investors than others, widely accepted beliefs remain untested, especially in the context of Nigeria. Solitary sector-focused studies may highlight certain characteristic dynamics revolving around investments, achievements, and challenges in those regions. The results of such

an analysis can be invaluable to investors as well as policymakers in identifying regions with high investment opportunities and making strategic decisions on investment resource allocation. Addressing these gaps will allow for a more nuanced understanding of the investment landscape in Nigeria. The information gained from addressing these gaps can help in the design of strategic strengthening actions, deployment of investment resources, and the promotion of growth and prosperity in the targeted sectors in Nigeria.

3. Methods and Materials

This research aims to assess the impact of foreign investment in Nigeria's publicly listed companies. The impact of foreign investment on the investment in question, along with the market and sector dynamics, called for the application of a quantitative research methodology. The methodology is based on secondary data collected from financial databases, reports, statements, and investor presentations. The methodology employs descriptive and regression-based statistical analysis to identify and analyze variables and trends in detail to meet the objectives of the study.

3.1. Research Design

The research follows the onion framework from Saunders et al. in 2009 to outline the methodology. This study is based on a positivist philosophy, which relies on primary data that is observable and measurable to test hypotheses and assess relationships among selected variables. A deductive approach is used, starting with hypotheses based on the relationships among market conditions, sector-specific factors, and company-specific elements, and how they influence the investment performance. To maintain systematic analysis and consistency in the appraisal of critical indicators, the study employs a quantitative strategy based on the use of numerical data. A longitudinal study design covering the period of 10 years from 2007 to 2022 was chosen, enabling the research to monitor performance and trends longitudinally. This cohesive approach enhances the comprehensive framework; the design focuses on the elements necessary to identify the crucial patterns and relationships needed to explain the success of foreign public quoted investments in Nigeria.

3.2. Variables and Measurement

The study investigates several key variables to understand investment performance, market dynamics, and sector-specific outcomes. These include:

3.2.1. Investment Performance Variables

Financial Metrics: Return on Asset (ROA), Return on Equity (ROE), and Return on Invested Capital (ROIC) are used to measure profitability. These metrics are extracted directly from financial statements and computed using standard formulas:

ROA = Net Income/Total Assets.

ROE = Net Income/Shareholder Equity.

Market Traction: Metrics like Price-to-Earnings Ratio (P/E) and Price-to-Book Ratio (P/B) assess market acceptance and valuation of the firms' products and services.

3.2.2. Market Conditions Variables

Macroeconomic Indicators: Inflation rates, political stability, and exchange rates serve as proxies for Nigeria's investment climate, investment and decisions, and growth. Such data is collected from the World Bank and other reputable organizations, and in this instance, modified in terms of the yearly averages.

3.2.3. Sector Specific Variables

Industry Classification: Businesses are categorized as healthcare, energy, financial services, and telecommunications. Sector-Specific Indicators: Metrics such as user growth in the communication sector and market penetration in healthcare are examined where relevant.

Operationalization: All variables are extracted and aligned using prior research scales to affirm measurement precision and trust (validity and reliability).

3.3. Collection of Data

Data is collected from the following sources:

1) Financial databases: Key market and financial data were obtained from Bloomberg, Yahoo Finance, and Investing.com.

2) Annual Reports: An analysis of the financial statements and investor presentations of Nigerian public quoted companies and their foreign investors was carried out with respect to the performance indicators, such as market share, profitability, and growth.

3) Industry-Specific Studies: Contextual information for sector-specific outcomes was obtained from specialized journals, reports, and market analyses from PwC, Deloitte, and other regional business organizations.

To safeguard credibility, data points were checked against other sources, and discrepancies were resolved using some form of statistical correction.

3.4. Sample Selection

The study focused on a sample of nine publicly quoted firms in Nigeria. The sample was obtained through the following considerations:

Foreign Public Quoted Companies Involvement: The sample comprises firms with considerable investments by foreign publicly quoted companies, which align with the study's objectives.

Sectoral Diversity: Firms were drawn from different industries, including but not limited to communication, financial services, and healthcare, to ensure that the outcomes are representative of the diversity in the Nigerian ecosystem.

Longitudinal Criteria: Firms with a minimum of ten years' worth of data (2010-

2020) were preferred so that a robust analysis of performance could be conducted over time. This sample is thoughtfully constructed to ensure representativeness and diversity, enabling sectoral comparisons and broad insights.

3.5. Data Analysis

The analysis utilizes a quantitative approach to assess the levels of investments, market activity, and trends specific to the industries in question. The following techniques were utilized:

1) Descriptive Statistics: Metrics like mean, median, standard deviation, and percentage distributions summarize key variables, offering insights into patterns and tendencies across the dataset.

2) Correlation Analysis: Used to identify relationships between variables, such as market conditions (e.g., inflation, GDP growth) and investment performance.

3) Regression Analysis:

Model Specifications: The study uses a multiple regression model:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_i$$

where:

Y_i = Investment performance (e.g., ROA).

X_1 = Market conditions (e.g., GDP growth).

X_2 = Sector-specific metrics.

X_3 = Cross-border ownership percentage.

ϵ_i = Error term.

Regression analysis investigates the effects of independent variables (e.g., market conditions) on dependent variables (e.g., ROA). It also evaluates the role of sectoral diversity in performance variation.

4) Comparative Analysis: Performance metrics are compared across sectors, identifying industries with higher returns and those facing challenges.

Software and Tools: Statistical analyses were conducted using Excel and econometric software, ensuring accuracy and transparency.

3.6. Validity and Reliability

The study emphasizes credibility and dependability for accurate findings:

Construct Validity: All relevant research variables for the study are aligned, and issues are measured based on scales used in prior research.

Content Validity: Indicators encompass both the overall investment performance and the relevant market and sector-specific conditions.

Internal Validity: Assumptions such as multicollinearity and heteroscedasticity are tested, and regression models accounting for confounding variables are used.

Reliability: Data accuracy is maintained through checking and conducting sensitivity analyses. Employing alternative specifications also confirmed that the tested statistical methods were robust.

The study uses all these to derive accurate, reproducible results.

Research results are anticipated as follows:

As determined by regression analysis,

1) Economic conditions are crucial since there exists a positive correlation between GDP growth and investment performance.

2) Disparities in sectoral performance are observed with higher returns in the communication and financial services industries.

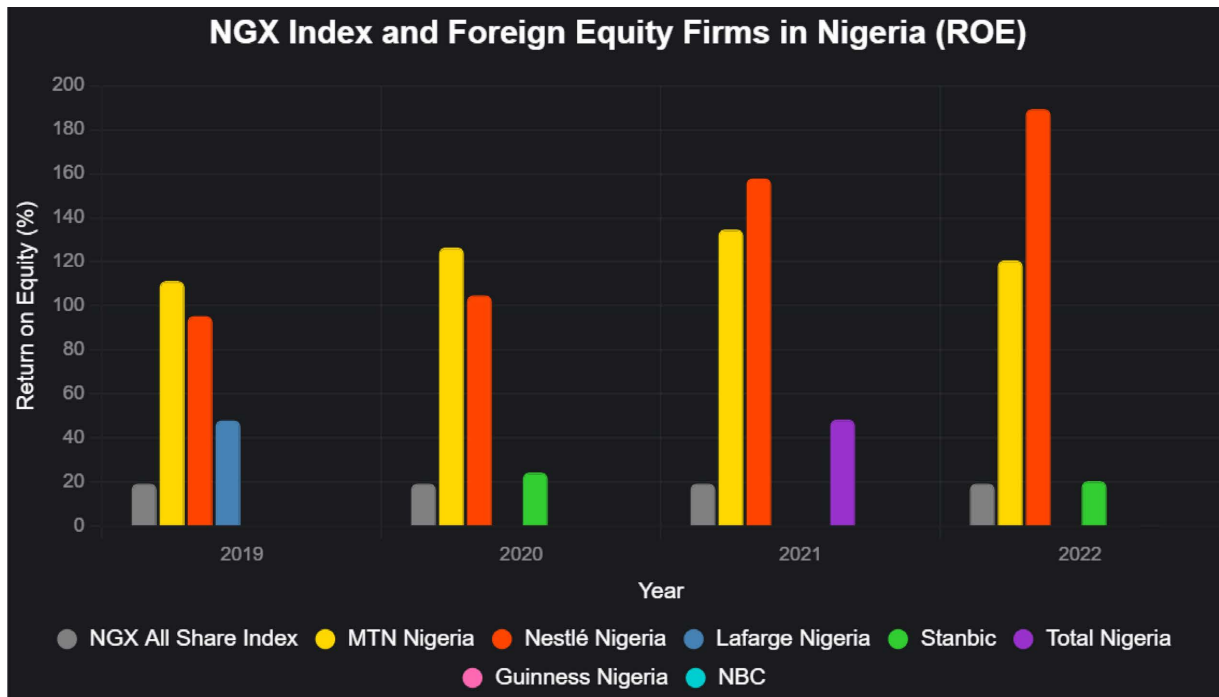
3) Ownership percentages held by cross-border investors affect the performance of acquirers, indicating some degree of synergy between foreign investors and Nigerian firms.

4. Results and Discussion

4.1. Descriptive Statistics

The descriptive analysis provides an overview of the key performance metrics and market conditions for the sampled foreign equity firms operating in Nigeria:

Return on Equity (ROE): See **Figure 1**.



Source: Bloomberg.

Figure 1. NGX index and the foreign equity firms in Nigeria (ROE).

In 2019, most companies had higher ROEs than the NGX All Share Index (19.23%), with MTN leading at 111.32%, followed by Nestlé (95.39%) and Lafarge (48.05%). In 2020, MTN again led with 126.58%, followed by Nestlé (104.77%) and Stanbic (24.26%). In 2021, Nestlé topped at 158.02%, followed by MTN (134.72%) and Total (48.34%). In 2022, Nestlé remained the highest at 189.53%, followed by MTN (120.67%) and Stanbic (20.42%), while Guinness and NBC experienced challenges with negative or low ROEs (**Table 1**).

Table 1. Descriptive statistics: market condition and performance.

Variables	No of Observation	Mean	Standard deviation	Min	Max
ROE	94	33.81	38.10	-32.64	27.82
ROA	94	8.02	7.38	-8.2	27.82
GDPG	94	2.51	2.60	-1.79	6.67
Inflation	94	13.08	3.5	8.05	18.85
Exchange rate	94	279.75	94.12	157.31	425.98
Political stability	94	-1.94	0.120	-2.13	-1.78

Source: Author's compilation (2023).

Return on Assets (ROA): Average: 8.02%, with a minimum of -8.25% and a maximum of 27.82%, reflecting varying efficiencies in asset utilization.

Macroeconomic Variables: GDP Growth: Average of 2.51%, ranging from -1.79% to 6.67%, positively influencing firm performance.

Inflation: Averaged at 13.08%, fluctuating between 8.05% and 18.85%, benefiting firms by increasing pricing power.

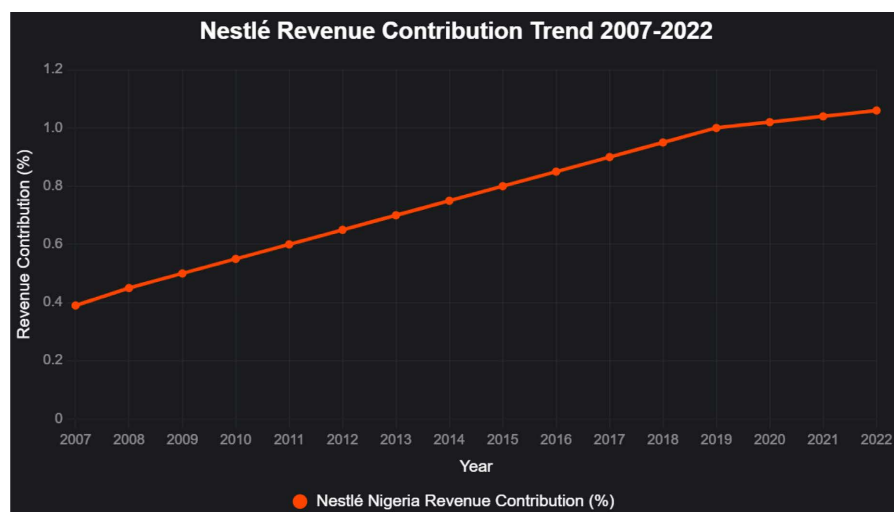
Exchange Rate: Average exchange rate of 279.75 NGN/USD, ranging from 157.31 to 425.98, negatively impacting firm performance due to currency volatility.

Political Stability: Scored an average of -1.95, indicating high levels of instability, which poses risks to investment outcomes.

4.2. Trend Analysis of Revenue Contribution

The revenue contribution analysis of foreign equity firms highlights their growing or declining roles within their parent companies:

- 1) Nestlé Nigeria PLC: See **Figure 2**.

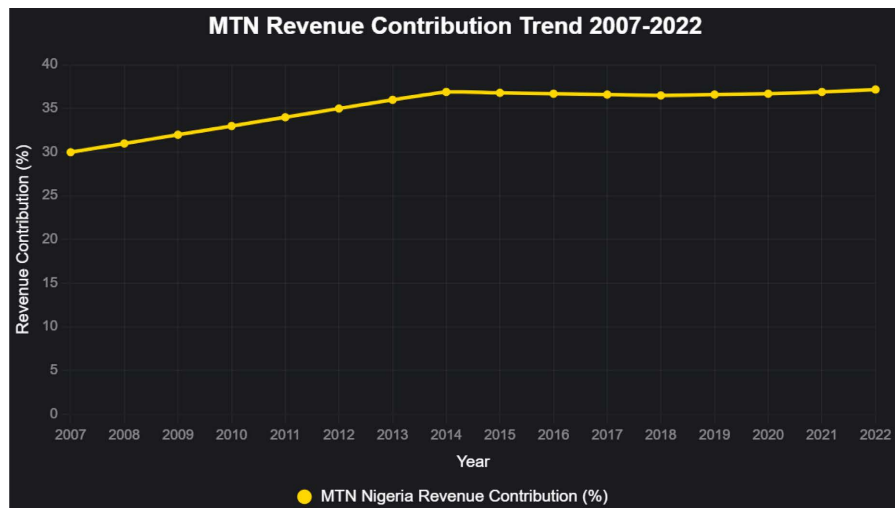


Source: Bloomberg.

Figure 2. Nestlé revenue contribution trend 2007-2022.

Revenue contribution grew steadily from 0.39% in 2007 to 1.06% in 2022, marking its increasing importance within Nestlé S.A.’s global operations.

2) MTN Nigeria: See **Figure 3**.

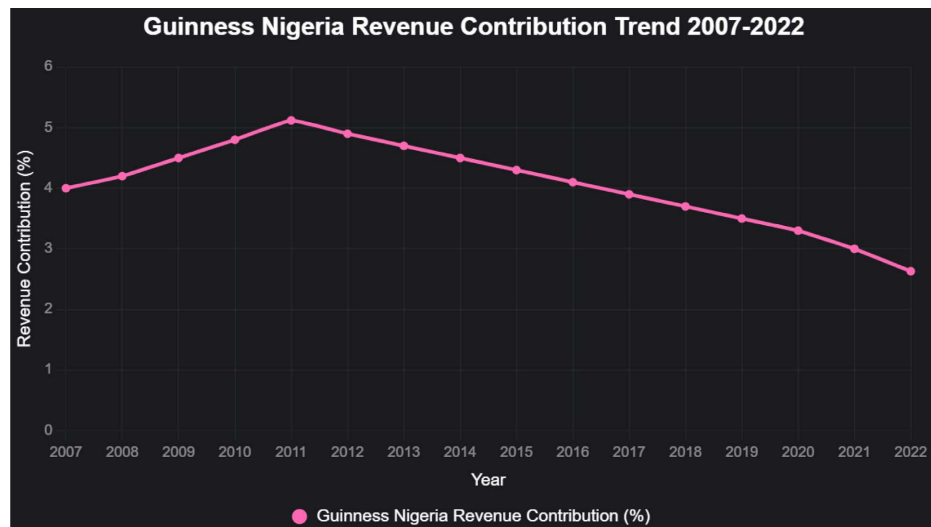


Source: Bloomberg.

Figure 3. MTN revenue contribution trend 2007-2022.

Demonstrated consistent growth, with revenue contributions peaking at 36.9% in 2014 and rising slightly to 37.18% in 2022, reflecting its robust market position in telecommunications.

3) Guinness Nigeria PLC: See **Figure 4**.



Source: Bloomberg.

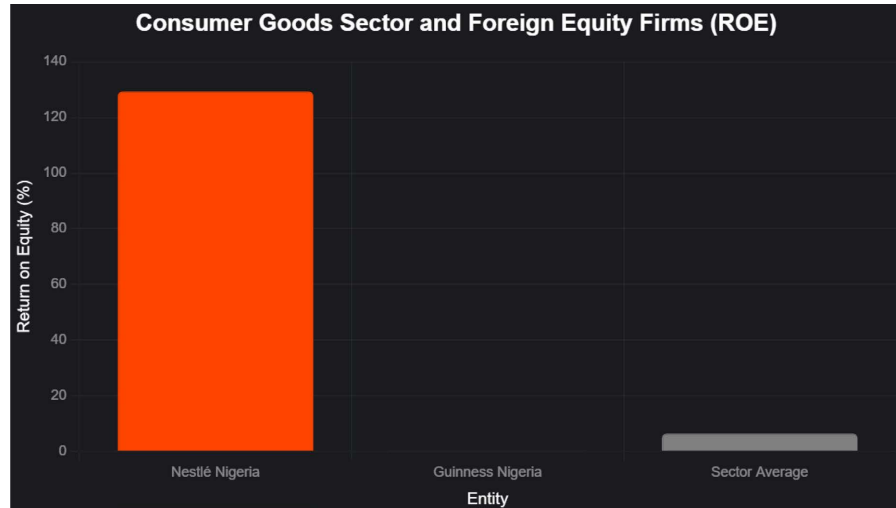
Figure 4. Nigeria breweries revenue contribution trend 2007-2022.

Revenue contributions peaked at 5.12% in 2011 but declined to 2.63% in 2022, indicating challenges in maintaining profitability and market share.

4.3. Sectoral Analysis of Performance Metrics

Performance metrics such as Return on Equity (ROE) and Return on Invested Capital (ROIC) reveal significant sectoral variations:

1) Consumer Goods Sector: See **Figure 5**.



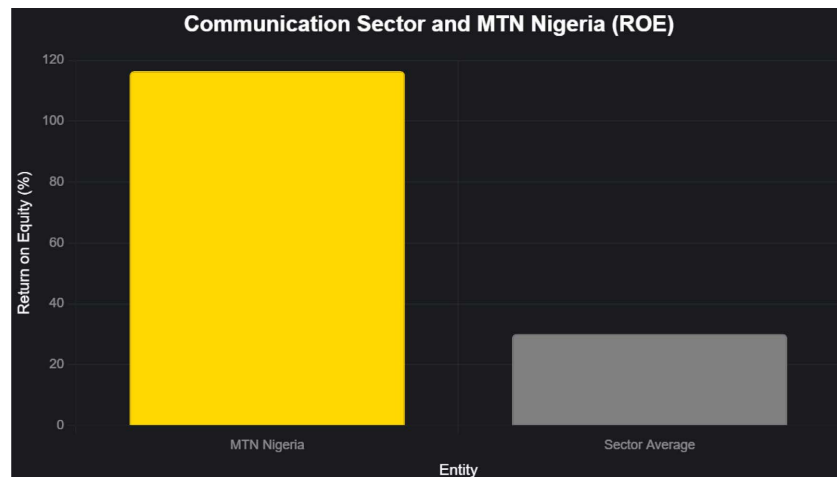
Source: Bloomberg.

Figure 5. Consumer goods sector and foreign equity firms (ROE)

Nestlé Nigeria: ROE of 129.32%, significantly outperforming the sector average of 6.40%.

Guinness Nigeria: ROE of 0.27%, reflecting weaker performance compared to peers.

2) Communication Sector: See **Figure 6**.



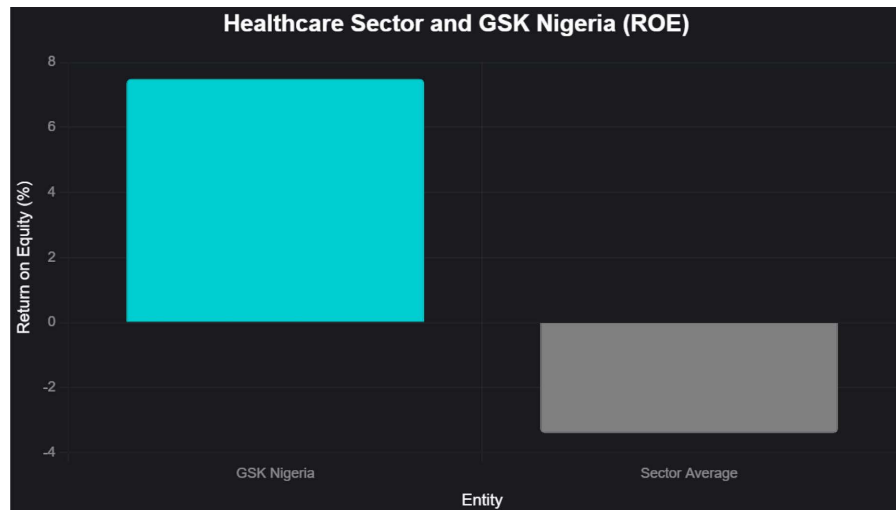
Source: Bloomberg.

Figure 6. Communication sector and MTN Nigeria (ROE)

MTN Nigeria: ROE of 116.5%, far exceeding the sector average of 30.1%, show-

casing strong profitability.

3) Healthcare Sector: See **Figure 7**.

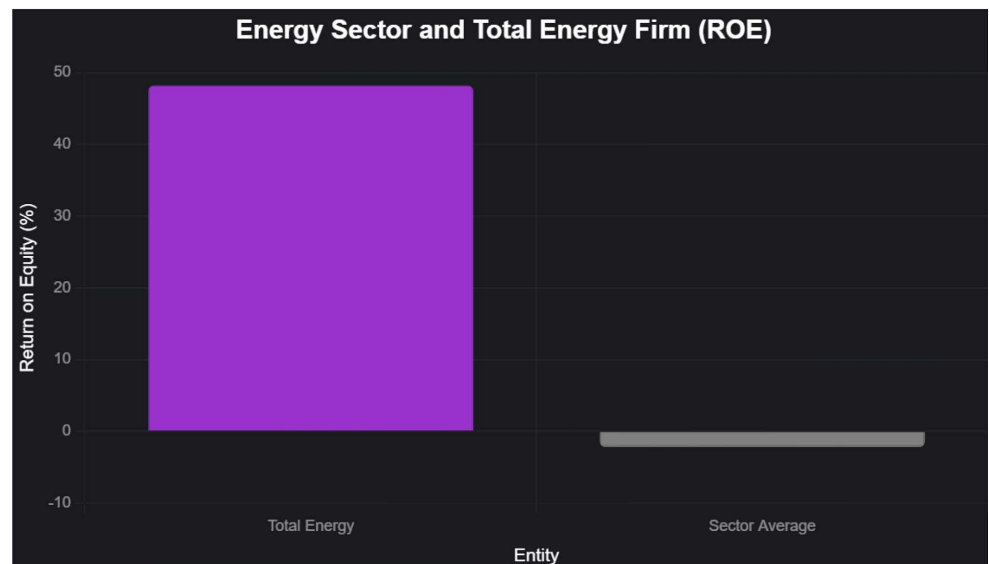


Source: Bloomberg.

Figure 7. Healthcare sector and GSK Nigeria (ROE).

GSK Nigeria: ROE of 7.50%, outperforming the sector average of -3.40%, indicating resilience despite sector challenges.

4) Energy Sector: See **Figure 8**.

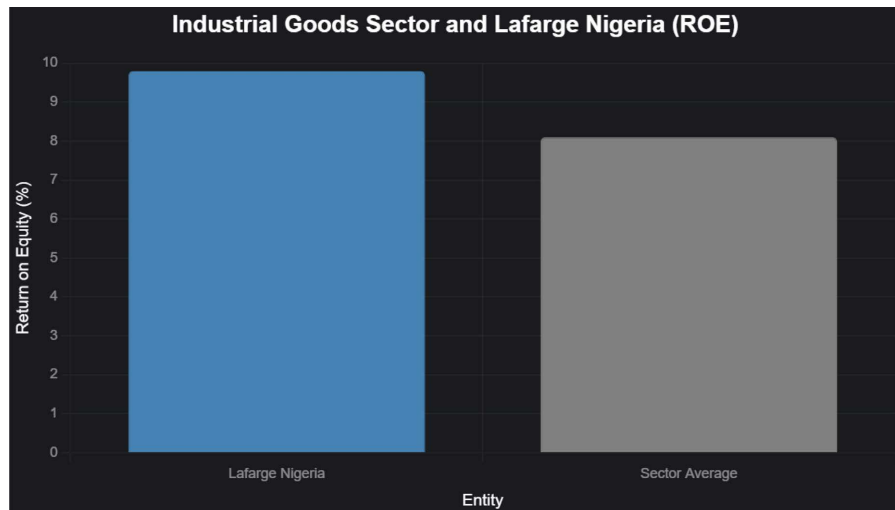


Source: Bloomberg.

Figure 8. Energy sector and total energy firm (ROE).

Total Energy: ROE of 48.23%, standing out in a sector with a negative average ROE of -2.20%.

5) Industrial Goods Sector: See **Figure 9**.

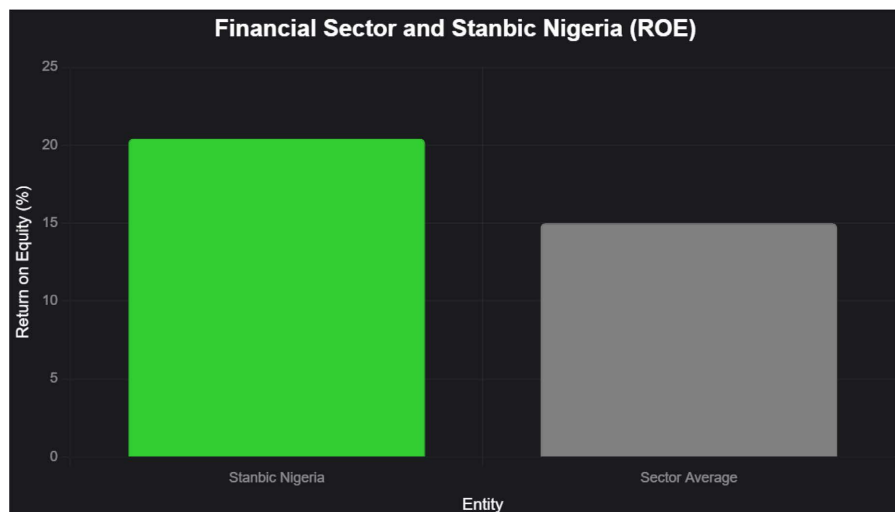


Source: Bloomberg.

Figure 9. Industrial goods sector and Lafarge (WAPCO) (ROE).

Lafarge Nigeria: ROE of 9.8%, marginally above the sector average of 8.1%, reflecting moderate profitability.

6) Financial Sector: See **Figure 10**.



Source: Bloomberg.

Figure 10. Financial sector and Stanbic (ROE).

4.4. Influence of Market Conditions on Performance

Table 2. Regression analysis on market conditions and performance of foreign equity firms in Nigeria.

Variables	ROE	ROA
Intercept	1.86*** (0.420)	1.75*** (0.486)

Continued

GDPG	0.056*** (0.006)	0.055*** (0.007)
Inflation	0.018*** (0.007)	0.018*** (0.008)
Exchange rate	-0.001*** (0.000)	-0.001*** (0.030)
Political stability	0.605*** (0.184)	0.549*** (0.212)
R ²	0.104	0.105
Waldchi	110.79***	80.45***
Sector dummy	Yes	Yes
No. of observation (2012-2022)	94	94
No. of firms	9	9

Note: Standard error in parentheses, * $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$ significance level.

Regression Analysis (Table 2):

ROE Model:

R-squared = 10.44%, with a Wald chi-squared of 24 ($p < 0.001$), indicating that market conditions explain a small but significant portion of ROE variability.

ROA Model:

R-squared = 10.5%, confirming similar impacts of market conditions on ROA.

Key Findings on Market Conditions:

- 1) GDP Growth: A positive relationship with investment performance, emphasizing its role as a driver of profitability.
- 2) Inflation: Beneficial to firms by increasing pricing power, leading to higher returns on equity.
- 3) Exchange Rate: Negative impact due to the volatility of Nigeria's currency, which complicates repatriation and operational planning.
- 4) Political Stability: A negative correlation, highlighting the adverse effects of instability on firm performance.

4.5. Cross-Border Investment and Parent Company Performance

Table 3. Feasible GLS regression.

Variables	ROE	ROA
Intercept	4.85*** (1.202)	-5.517*** (1.058)
CBINV	0.97* (0.006)	0.918** (0.450)

Continued

SIZE	-0.329*** (0.104)	0.700*** (0.091)
LEV	-0.543*** (0.591)	0.054*** (0.520)
Waldchi	24.00***	117.02***
Sector dummy	Yes	Yes
Country dummy	Yes	Yes
No. of observation	92	92
No. of firms	9	9

Note: Standard error in parentheses, * $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$ significance level.

Regression Findings (Table 3):

The Feasible GLS model highlights the positive impact of cross-border investments on firm performance:

Market Capitalization Coefficient: 0.918 ($p < 0.05$), indicating significant improvements in the perceived value of parent companies due to strategic investments in Nigeria.

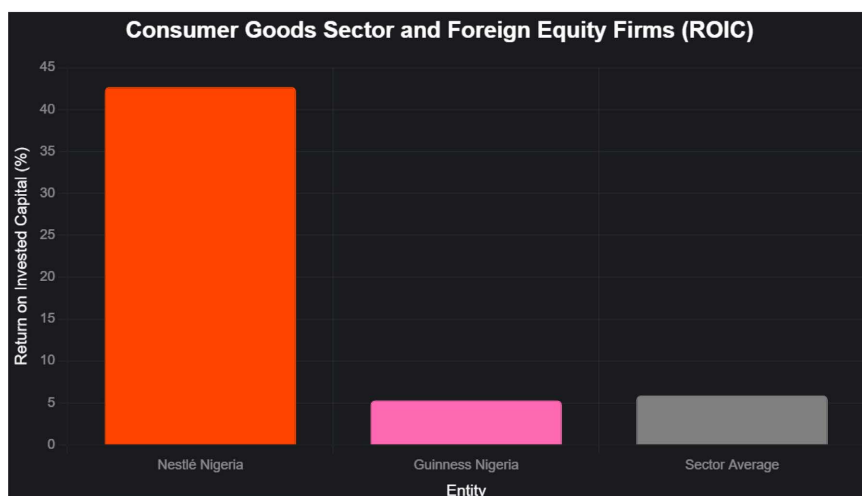
ROA Coefficient: 0.970, significant at 10%, confirming the profitability impact of cross-border investments.

Interpretation:

The positive outcomes align with the Resource-Based View (RBV) theory, which emphasizes the benefits of leveraging external resources like capital and technology to enhance firm competitiveness.

4.6. Sectoral Return on Invested Capital (ROIC)

1) Consumer Goods Sector: See Figure 11.



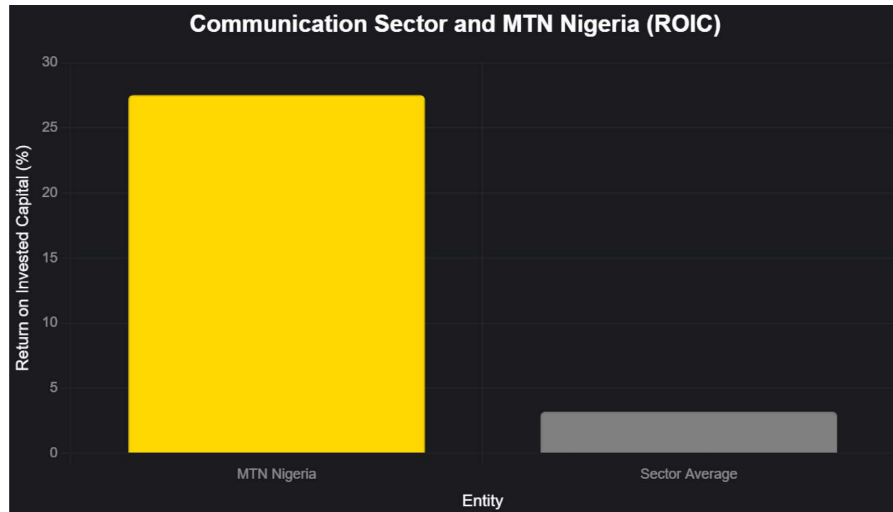
Source: Bloomberg.

Figure 11. Consumer goods sector and foreign equity firms (ROIC) communication sector.

Nestlé Nigeria: ROIC of 42.7%, significantly exceeding the sector average of 5.9%.

Guinness Nigeria: ROIC of 5.3%, below the sector average.

2) Communication Sector: See **Figure 12**.

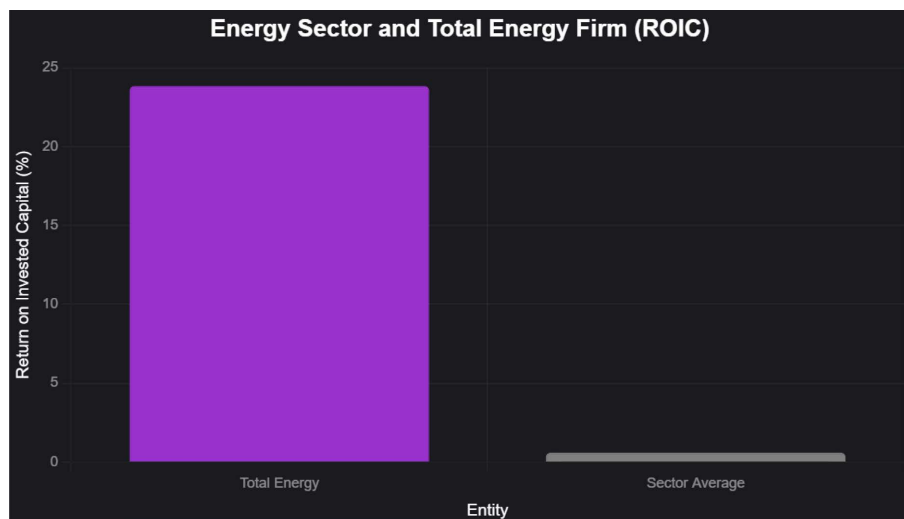


Source: Bloomberg.

Figure 12. Communication sector and MTN Nigeria (ROIC).

MTN Nigeria: ROIC of 27.53%, surpassing the sector average of 3.20%.

3) Energy Sector: See **Figure 13**.



Source: Bloomberg.

Figure 13. Energy sector and total energy firm (ROIC).

Total Energy: ROIC of 23.85%, far above the sector average of 0.60%.

5) Healthcare Sector: See **Figure 14**.

GSK Nigeria: ROIC of 5.79%, outperforming the sector average of -0.60%.



Source: Bloomberg.

Figure 14. Healthcare sector and GSK Nigeria (ROIC).

4.7. Discussion of Findings

The study's findings on company performance reveal distinct patterns across various sectors, highlighting both opportunities and challenges in Nigeria's investment landscape. By examining the financial performance of Nestlé Nigeria, Guinness Nigeria, MTN Nigeria, GSK Nigeria, Total Energy, and Lafarge Nigeria, the analysis reflects the interplay of sector-specific dynamics, macroeconomic influences, and firm-level strategies. The variations in foreign investment impact across these sectors emphasize the critical role of regulatory stability, infrastructure quality, and economic conditions in shaping investment outcomes.

4.7.1. Consumer Goods Sector

Nestlé Nigeria emerges as a leader in the consumer goods sector, with an ROE of 129.32% and ROIC of 42.7%. These metrics demonstrate the company's ability to harness Nigeria's growing consumer base, driven by its youthful population and rising middle class. Nestlé's increasing revenue contribution from 0.39% in 2007 to 1.06% in 2022 supports the observation by [Cyril et al. \(2020\)](#) regarding the consumer goods sector as a well-performing investment in Nigeria. The company attributes its success to supply chain control, product localization, and brand loyalty, which [Sembhodo et al. \(2023\)](#) noted are critical in the emerging markets, and are the adapted global strategies.

Guinness Nigeria struggled, with an ROE of 0.27% and a revenue contribution decline from 5.12% in 2011 to 2.63% in 2022. These results further emphasize the difficulty in sustaining profitability amidst a highly saturated market. [Duc and Mujahida \(2024\)](#) noted that foreign investments in consumer goods are often plagued by shifting consumer preferences, local brand competition, and increasing operational costs. Additionally, the lack of divergence from the global trend of increasing market share with foreign investments demonstrates the need for innovative strategies, substantial investment, and cost management to restore competitiveness.

4.7.2. Telecommunications Sector

MTN Nigeria's remarkable achievements and performance in the telecommunications industry showcase great promise for Nigeria's economy. Moreover, MTN Nigeria's contribution to MTN Group's revenue, which reached 37.18% in 2022, affirms the importance of Nigeria in the company's global strategy. These were the conclusions of [Ashok and Hallur \(2024\)](#), who, due to heightened digital and internet infrastructure in emerging economies, regarded telecommunications as a high-growth emerging market. Alignment of MTN's success with the forecast of [Katoma and Qutieshat \(2024\)](#), who expected growth due to regulatory stability and rapid technological growth, reinforces these conclusions.

Foreign investment in the telecommunication sector has spurred investment in the mobile and broadband infrastructure, which marks the sector as one of the fastest growing in terms of FDI. Although the spectrum licensing fees and multiple taxation policies are still a burden and difficult to maneuver. Investors are discouraged due to the approach to high long-term capital commitments.

Furthermore, the repatriation of profits becomes unappealing due to the devaluation of the naira, making it unprofitable for multinational telecoms to expand operations further. Notwithstanding, the sector proves to be mobile resilient, with mobile penetration, as of 2023, exceeding 80% according to NCC, serving as a further indication of the country's willingness to embrace foreign investments.

4.7.3. Healthcare Sector

GSK Nigeria showed modest results with an ROE of 7.50% and a ROIC of 5.79% within the industry's scope, outperforming the sector average. Nonetheless, the healthcare industry as a whole is underdeveloped, lacking adequate infrastructure, with high costs of doing business, and scarce government assistance. [Olutuase et al. \(2022\)](#) studied and outlined these emerging market attributes, portraying the slow growth of foreign investment in healthcare sectors due to a multitude of challenges.

GSK Nigeria's resilience despite all these challenges can be explained by a sharp change in strategy with the help of alliances and innovative product lines. This was in tandem with [Sharma and Makhija \(2024\)](#), who highlighted the significance of cultural acumen and local partnerships as vital in attracting investments. Still, the sluggishness with which foreign investors are willing to inject money into the sector points to the need for policy reforms, which include granting healthcare financing policies and stricter regulatory frameworks.

4.7.4. Energy Sector

Total Energy leads its peers in the energy sector, exhibiting a ROE of 48.23% and a ROIC of 23.85% as compared to the sector average ROE of -2.20%. This seems to indicate that total energy is either diversifying into renewable energy or downstream to be able to navigate these complexities. These findings support Kero and Bogale's Resource-Based View, arguing that using unique capabilities helps in achieving a competitive advantage ([Kero & Bogale, 2023](#)).

The energy sector's underperformance is in line with [Ejiofor et al. \(2024\)](#), who underlined outdated infrastructure and import dependency as prominent challenges to attracting foreign investment to Nigeria's energy market. Recently, there have been decreasing trends in foreign direct investment because of the global energy transition, foreign investment policies, and local content laws that limit foreign ownership of oil assets. With increased security issues and ongoing legal battles, key multinationals like Shell and ExxonMobil have significantly reduced their on-shore activity. Clarifying investment terms, including the renewables and restructuring legislation on foreign ownership of oil fields, could boost investment into this key sector.

4.7.5. Industrial Goods Sector

Lafarge Nigeria achieved a moderate ROE of 9.8%, slightly higher than the industry average of 8.1%. This reflects a steady demand for industrial goods due to urban expansion and infrastructure projects. However, production cost and competition both within and outside the country are a drag on growth prospects for the sector. This is consistent with [Liang et al. \(2023\)](#), who observed that the industrial goods sector in Nigeria receives limited foreign industrial investment due to demand variability and dysfunctional economic systems.

There are inflows of foreign investment, but other external factors, such as unstable exchange rates, poor logistics systems, and erratic political and economic strategies, continue to stifle development.

4.7.6. Sectoral and Company-Specific Insights

The results achieved by different companies, as well as their sectors, shed light on the selective circumstances fundamental for specific sectors, along with their strategies on an intra-firm level, detailing the scale of investment. Investment strategies integrate with the market as a whole for the telecommunications and consumer markets, which are among the greatest performing sectors due to the need for scale, strong consumer base, and favorable regulations. Some MTN Nigeria and Nestlé Nigeria illustrate that these investments align with market strategies, as cited by [Abe \(2024\)](#).

The healthcare and energy sectors underperform because of systemic issues, poor infrastructure, a lack of resources, regulatory limits, and a constrained environment. GSK Nigeria and Total Energy exhibit better performance relative to their peers, but they are still constrained by their environment. This is in line with the Resource-Based View ([Esiri et al., 2024](#)), which argues the need to devise and utilize strategies in response to the environment.

4.7.7. Implications for Policy and Practice

The research highlighted a number of policies and practical actions to take:

- 1) Strengthening Sectoral Support: It is a public and private sector inefficiency that investments in renewable energy and healthcare are not being made. Systemic inefficiencies in the healthcare and energy sectors do require attention and public-private partnerships that are in investment to foster renewable energy and healthcare infrastructure, reflecting global best practices as highlighted by [Zatonatskiy and](#)

Lieonov (2024).

2) Enhancing Macroeconomic Stability: Foreign investments also require a stable economy and its GDP growth. Foreign investments also require a stable exchange rate and inflation. This was also noted by Yuliawan et al. (2024).

3) Promoting Innovation and Partnerships: Local firms are encouraged to market to their foreign counterparts, as this is a major contributor to operational effectiveness. In foreign investments, cultural intelligence and collaboration are key, and that is what Sharma and Makhija (2024) highlighted.

4) Sectoral Diversification: Ding et al. (2024) noted the innovation-driven sector, and with priority sectors like fintech and technology lying in competition to Nigeria's youthful population and fast-growing digital economy, investments should double.

5. Recommendations

1) Sector-Specific Growth Strategies

Foreign equity firms in Nigeria should adopt tailored growth strategies for each sector. In high-performing sectors like telecommunications and consumer goods, as evidenced by MTN Nigeria's ROE of 116.5% and Nestlé Nigeria's ROE of 129.32%, firms should focus on scaling operations, enhancing supply chain efficiency, and innovating to meet local consumer needs. These efforts will sustain profitability and strengthen market dominance.

2) Addressing Underperforming Sectors

The healthcare and energy sectors require targeted interventions to overcome systemic inefficiencies. Policymakers and firms should foster public-private partnerships (PPPs) to improve infrastructure and operational capacities. For instance, Total Energy's positive ROE of 48.23% in a struggling energy sector demonstrates the potential for success through strategic investments in renewable energy and downstream operations.

3) Portfolio Diversification

Investors should diversify their portfolios across high-performing and emerging sectors to mitigate risks and capitalize on new opportunities. Sectors like fintech, technology, and renewable energy, which align with global trends, should be prioritized to complement the reliable returns seen in telecommunications and consumer goods.

4) Enhanced Risk Management

Given the adverse effects of macroeconomic instability, including exchange rate volatility (279.75 NGN/USD average) and inflation (13.08% average), firms must adopt robust risk management strategies. Hedging, forward contracts, and proactive financial planning can shield companies from these risks. Firms such as Guinness Nigeria, which experienced declining revenue contributions, would benefit from these measures.

5) Regulatory and Policy Reforms

Nigerian policymakers should prioritize the creation of a transparent, predict-

able regulatory framework to enhance investor confidence. Streamlining bureaucratic processes, addressing corruption, and fostering fair competition in markets will create a conducive environment for sustained foreign investment.

6) Encouraging Innovation and Emerging Opportunities

Policymakers should actively promote innovation and entrepreneurship in technology, fintech, and renewable energy. With Nigeria's youthful population and rising internet penetration, investments in these sectors can diversify the economy and stimulate growth.

7) Sustainability and Collaboration

Firms should invest in sustainable practices, particularly in sectors like energy and industrial goods, to align with global standards and local environmental goals. Collaborating with local stakeholders can further enhance cultural intelligence, strengthen operational efficiency, and foster long-term success.

8) Monitoring Political and Regulatory Developments

Firms should engage closely with government authorities to anticipate regulatory changes and mitigate political risks. This proactive approach is crucial for operating in sectors like healthcare and energy, where policy inconsistencies significantly impact performance.

6. Conclusion

The study provides valuable insights into the dynamics of foreign investments in Nigeria, revealing how sectoral performance is influenced by macroeconomic factors, regulatory conditions, and firm-level strategies. High-performing sectors like telecommunications and consumer goods have thrived due to scalability, market size, and robust demand, while underperforming sectors such as healthcare and energy face systemic inefficiencies that hinder growth.

The findings emphasize the critical role of macroeconomic stability, regulatory reforms, and sector-specific strategies in optimizing foreign investments. Exchange rate volatility, inflation, and political instability remain key challenges, underscoring the need for robust risk management and long-term adaptability.

For foreign equity firms, aligning strategies with local market conditions, investing in emerging sectors, and collaborating with local stakeholders are essential for navigating Nigeria's dynamic business environment. Policymakers must support these efforts by fostering a transparent and stable regulatory framework, encouraging fair competition, and promoting innovation.

By implementing these recommendations, foreign equity firms and policymakers can unlock Nigeria's economic potential, ensuring sustainable growth across sectors and attracting further investments. These practical insights serve as a roadmap for stakeholders seeking to maximize their impact in Nigeria's evolving investment landscape.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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