

Foreign Direct Investment, Poverty Reduction and Employment Generation in Rivers State, Nigeria, 2015-2025

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Abstract

This study examined the effect of foreign direct investment (FDI) on poverty reduction and employment generation in Rivers State, Nigeria, between 2015 and 2025. Despite cumulative FDI stock exceeding \$60 billion by 2024, concentrated overwhelmingly in petroleum and petrochemical operations, Rivers State continued to exhibit poverty rates of approximately 45 per cent and unemployment exceeding 30 per cent, a disconnect that motivated the study's two objectives. The study was anchored on Dunning's Eclectic Paradigm (OLI Theory) and Dependency Theory, which jointly explain why resource-seeking FDI concentrates in Rivers State's petroleum sector and why such capital-intensive, enclave-structured investment has historically generated limited broad-based local development. A convergent parallel mixed-methods design was adopted across Port Harcourt City, Obio/Akpor, Eleme and Bonny Local Government Areas. A structured four-point Likert questionnaire was administered to a Taro Yamane-derived sample of 400 respondents, drawn from a target population of 2,350,000 and analysed using descriptive statistics and simple linear regression, while thirty semi-structured key informant interviews supplied qualitative triangulation. Findings showed that FDI had a statistically significant but substantively weak effect on both poverty reduction ($R^2 = 0.081$, $p < .001$) and employment generation ($R^2 = 0.097$, $p < .001$), with respondents overwhelmingly disagreeing that foreign investment had reduced household poverty or generated substantial direct local employment, instead reporting that environmental degradation had eroded farming and fishing livelihoods and that domestic labour remained confined to casual, low-

wage positions while technical and managerial roles were staffed by expatriates. The study recommends converting discretionary corporate social responsibility palliatives into legally enforceable host community development trusts and reforming local content enforcement to measure genuine technical skills transfer rather than contract value.

Keywords: *foreign direct investment; poverty reduction; employment generation; economic development; Rivers State*

I. Introduction

Rivers State, located in Nigeria's oil-rich Niger Delta region, represents a distinctive case of how natural resource endowments intersect with foreign capital flows to shape regional economic trajectories. The state's experience with foreign direct investment (FDI) began with the discovery of crude oil in commercial quantities at Oloibiri in 1956, which fundamentally altered its economic landscape and positioned it as a prime destination for international capital (Idemudia & Ite, 2006). The colonial and immediate post-independence period witnessed the initial influx of multinational oil corporations, primarily Shell-BP, Mobil and Chevron, who established extractive operations in the state's oil-bearing communities, a phase marked by minimal local participation and limited technology transfer (Watts, 2004). This pattern of limited local participation did not go uncontested: Frynas (2001) documents a long history of community and civil society protest against oil-company conduct across the Niger Delta from the 1990s onward, protest that repeatedly prompted corporate and state responses, ranging from security crackdowns to negotiated community development agreements, without fundamentally altering the underlying structure of host-community exclusion from the benefits of extraction. The establishment of the National Liquefied Natural Gas (NLNG) project in Bonny in 1989, operational from 1999, represented a watershed in Rivers State's FDI history, attracting substantial foreign investment from Shell, Total and Eni. The return to democratic governance in 1999 inaugurated a new era of investment promotion, characterised by more systematic efforts to attract and retain foreign capital through the Nigerian Investment Promotion Commission framework, complemented by state-level strategies including free trade zones and industrial parks. The decade examined in this study, 2015 to 2025, commenced against the backdrop of the 2014-2016 global oil price collapse, which severely impacted investor confidence, followed by a period of infrastructure modernisation under successive Rivers State administrations intended to enhance the state's investment attractiveness beyond hydrocarbon extraction. Despite these sustained inflows, fundamental questions persist regarding the effectiveness of FDI in catalysing broad-based sustainable economic development in Rivers State. Cumulative FDI stock estimated at over \$60 billion by 2024, predominantly in petroleum and petrochemicals, has coexisted with poverty rates approximating 45 per cent and unemployment exceeding 30 per cent, alongside infrastructure deficiencies that constrain economic activity for millions of residents. This disconnect between investment magnitude and developmental outcomes demands systematic investigation into the mechanisms through which FDI translates, or fails to translate, into tangible improvements in living standards and economic opportunity for the state's population.

The sectoral concentration of FDI constitutes a significant dimension of this problem. Petroleum and gas-related investments accounted for approximately 85 to 90 per cent of total FDI stock in Rivers State throughout the study period, creating a mono-sectoral investment structure with profound implications for employment generation, since the capital-intensive nature of extractive industries meant that billions of dollars in investment generated relatively modest direct employment, estimated at fewer than 50,000 formal sector jobs despite investment values exceeding \$50 billion. This employment-investment mismatch raises critical

questions about the appropriateness of Rivers State's FDI composition relative to developmental priorities, particularly given the state's youthful demographic profile.

The environmental externalities associated with FDI in Rivers State constitute a profound dimension of this problem, with direct bearing on household poverty. Decades of petroleum extraction have generated extensive environmental degradation, including soil contamination from oil spills, air pollution from gas flaring, and water pollution compromising fisheries and potable water sources (UNEP, 2011; Ite, Ibok, Ite, & Petters, 2013). The resulting erosion of traditional agrarian and artisanal fishing livelihoods, which historically absorbed a major share of the regional labour force, has been linked to rural-to-urban migration and a structural misallocation of human capital away from sustainable production toward underemployed informal services (Elenwo & Akankali, 2019). Dunning's Eclectic Paradigm offers a well-established account of why multinational enterprises invest where they do, explaining the concentration of resource-seeking FDI in Rivers State's petroleum sector regardless of broader market conditions. Dependency theory, by contrast, offers a critical account of what such investment does, or fails to do, once it arrives, directing attention to whether FDI generates genuine linkages with the domestic economy or instead reproduces an enclave structure that extracts value while externalising its costs onto host communities (Frank, 1967; Cardoso & Faletto, 1979). Reading these two frameworks together allows this study to examine both the location logic of FDI in Rivers State and its distributive consequences for the two developmental dimensions examined here.

The decade examined in this study is analytically significant precisely because it encompasses sharply contrasting phases of Rivers State's investment climate: the 2014-2016 oil price collapse and the 2016 national recession, which severely constrained capital inflows, followed by a sustained period of state-level infrastructure investment and, from 2020, pandemic-era disruption and a subsequent push toward economic diversification under the African Continental Free Trade Area framework. A study spanning this full decade is therefore positioned to assess whether FDI's relationship with poverty reduction and employment generation in Rivers State is a stable structural feature of the state's investment pattern or one that varies meaningfully with the broader macroeconomic cycle, a distinction with direct bearing on whether the governance reforms this study's findings ultimately recommend should be understood as addressing a persistent structural gap or a cyclical, recession-linked shortfall. This study therefore examines the effect of foreign direct investment on poverty reduction and employment generation in Rivers State between 2015 and 2025, pursued through two objectives: to examine the effect of foreign direct investment on poverty reduction in Rivers State, and to determine the impact of foreign direct investment on employment generation in Rivers State. The two objectives are connected by a common underlying question, whether FDI's substantial capital footprint in Rivers State has translated into improved household welfare and broad-based local employment, or whether it has instead reproduced the enclave pattern of growth without development that dependency theory anticipates.

II. Theoretical Framework

Eclectic Paradigm (OLI Theory)

John Dunning's eclectic or OLI (Ownership, Location, Internalisation) paradigm represents the most widely adopted framework for understanding multinational enterprise investment decisions and FDI patterns (Dunning, 1988). The framework proposes that firms engage in foreign direct investment when they simultaneously possess three categories of advantage: ownership advantage, firm-specific assets such as technology, brand recognition or management skill that confer a competitive edge in foreign markets; location advantage, the benefits a host country offers, such as access to natural resources, lower production costs or proximity to key markets; and internalisation advantage, the benefits of controlling activities

within the firm rather than licensing them to other entities, allowing the firm to retain control over critical resources and knowledge (Dunning & Lundan, 2008).

The OLI framework explains sectoral and geographic variation in FDI patterns directly relevant to Rivers State. Resource-seeking FDI, predominant in the state's petroleum sector, flows to locations with superior natural resource endowments and supporting infrastructure, largely independent of local market size or development level, while market-seeking and efficiency-seeking FDI, more relevant to manufacturing and services, remain comparatively underdeveloped in the state (Dunning, 1988). The dynamic nature of the paradigm allows the relative importance of these factors to evolve over time as economic conditions and institutional frameworks change, a temporal dimension relevant to understanding Rivers State's FDI trends across the volatile 2015-2025 decade. The Eclectic Paradigm was selected for this study because it explains why foreign capital has concentrated so heavily in Rivers State's extractive sector specifically, location advantage derived from petroleum reserves outweighing the location disadvantages of weak infrastructure and institutional capacity elsewhere in the state's investment climate. This location logic is foundational to interpreting this study's findings, since a location advantage rooted narrowly in subsoil resource endowment, rather than in market size, skilled labour or infrastructure, predicts precisely the kind of capital-intensive, low-linkage investment pattern examined under both objectives of this article.

Dependency Theory

Dependency theory, as articulated by classical theorists including Andre Gunder Frank and Theotonio Dos Santos, provides a critical analytical model for evaluating the relationship between FDI and economic development in Rivers State. Positing that the global economic system is structurally divided into a dominant core of industrialised nations and a subordinate periphery of primary-commodity producers, the theory asserts that international capital flows often perpetuate structural dependence rather than genuine economic growth (Frank, 1967; Dos Santos, 1970). Cardoso and Faletto (1979) extend this account by showing how dependent development can coexist with episodes of local economic growth that remain structurally reliant on, and vulnerable to, decisions made by foreign capital and external markets.

Applied to Rivers State, dependency theory helps demonstrate that FDI has largely operated as a channel for resource extraction that reinforces sub-national peripheral dependency rather than driving industrialisation or broad technology transfer into the local economy (Watts, 2004, 2018). Multinational corporations operating in the extractive petroleum enclave have extracted substantial capital while leaving the state exposed to environmental externalities and volatile global commodity price shocks, a dynamic compounded by what Peganti (2018) terms sub-national rentierism, in which state institutions prioritise maintaining favourable conditions for foreign capital over building domestic industrial capacity. Naanen (2022) and Obi (2021) similarly document how local content enforcement and regulatory oversight in Rivers State have remained secondary to the imperative of maintaining uninterrupted investment continuity in the oil and petrochemical corridors. Dependency theory was selected because the central puzzle this study investigates, substantial FDI inflows coexisting with persistent poverty and weak employment generation, is precisely the paradox the theory anticipates: an enclave economy generating high aggregate investment metrics without corresponding broad-based local benefit (Evans, 1979; Ibaba, 2023). Read together with the Eclectic Paradigm, the two theories supply this study's full analytical arc: the OLI framework explains why FDI concentrates where it does in Rivers State, while dependency theory explains why that concentration has not translated into the poverty reduction and employment generation examined under this article's two objectives. It is worth noting that this study's dual-theory framework deliberately omits a third theoretical lens commonly applied to oil-producing economies, resource curse theory, which attributes weak development outcomes in resource-

rich settings primarily to the macroeconomic and institutional distortions that large resource revenues generate at the national level, such as currency overvaluation, rent-seeking and weakened accountability. While resource curse dynamics form part of the broader backdrop against which Rivers State's FDI experience unfolds, this study's two objectives, poverty reduction and employment generation at the household and community level, are better explained by the firm-level investment logic the Eclectic Paradigm supplies and the distributive consequences dependency theory identifies than by the macroeconomic revenue-management mechanisms resource curse theory emphasises, which is why the latter is referenced only as context rather than adopted as a formal analytical framework for this article.

This study's application of dependency theory to Rivers State specifically draws on the sub-national extension of the framework developed in the Nigerian political economy literature, which situates the classical core-periphery relationship Offiong (1980) describes not only between Nigeria and the advanced industrial economies but also between Nigeria's federal centre and its oil-producing states, and within those states, between urban commercial centres and the host communities bearing the direct costs of extraction. Nwoke (2021) terms this internal dynamic sub-national state capture, in which peripheral political entities prioritise maintaining favourable operational conditions for foreign capital over investing in domestic industrial capacity and public welfare, a pattern Ake (1996) traces to the broader structural weaknesses of post-colonial African states and their historically constrained bargaining position relative to multinational capital. Ihonvbere (2018), reassessing Ake's legacy for contemporary political economy scholarship, argues that this structural weakness has proven remarkably persistent even where democratic governance has nominally strengthened state accountability, a persistence with direct bearing on why Rivers State's elected sub-national government has not materially altered the enclave pattern this study examines.

III. Conceptual Review

a. Poverty Reduction

Poverty reduction is operationally defined in this study as the measurable, sustained decline in the proportion of a population living below defined national or international poverty thresholds, alongside a decrease in multidimensional deprivations across basic needs over a specific timeframe. This definition draws on the multidimensional turn in poverty measurement, which recognises that income alone is an incomplete indicator of household welfare and that deprivations in health, education, living standards and asset ownership must be assessed jointly (National Bureau of Statistics, 2022).

In resource-rich sub-national contexts such as Rivers State, poverty reduction is conceptually linked to the channels through which FDI could plausibly affect household welfare: direct employment income, lower consumer prices through increased local supply, indirect income through supplier linkages, and public revenue available for redistribution through infrastructure and social services. Where these channels are weak or absent, as dependency theory would predict in an enclave-structured investment pattern, FDI's aggregate scale can coexist with stagnant or worsening household poverty, particularly where the environmental costs of extraction simultaneously erode the traditional agrarian and fishing livelihoods on which host communities depend (Elenwo & Akankali, 2019; Ite et al., 2013).

For this study, poverty reduction is operationalised as the perceived and measured change in household poverty, cost of living and income from traditional livelihoods, among residents of the four Local Government Areas hosting the bulk of Rivers State's FDI, attributable to FDI's presence between 2015 and 2025. This operationalisation supplies the empirical foundation for Objective I.

A distinction worth preserving within this operationalisation is between absolute and relative poverty effects. FDI could, in principle, raise absolute household income in host communities,

through direct employment, local procurement or community development spending, while simultaneously worsening relative poverty if the gains captured by a small enclave workforce or local elite outpace gains for the broader population, widening inequality even as some absolute indicators improve. This distinction matters for interpreting this study's survey evidence, since respondents' strong agreement that inflationary pressures in commercial enclaves have worsened inequality between oil-sector workers and non-oil residents speaks directly to the relative, rather than purely absolute, dimension of poverty that FDI's presence in Rivers State appears to have affected.

b. Employment Generation

Employment generation is operationally defined as the net increase in formal and sustainable job opportunities created within an economy as a result of policy interventions, business expansion, or capital investment over a given period. This definition emphasises both the formality and the sustainability of jobs created, distinguishing genuine employment generation from the temporary, informal or insecure engagement that capital-intensive projects can generate during construction phases without producing durable local employment.

In the context of extractive-sector FDI, employment generation is conceptually bound up with the distinction between direct employment, workers hired directly by the foreign enterprise, and indirect employment generated through supplier and service linkages with the domestic economy (Asiedu, 2006). Where FDI is capital-intensive and technologically sophisticated, as is characteristic of petroleum and petrochemical operations, direct employment generation is typically modest relative to investment value, while the extent of indirect employment generation depends heavily on local content enforcement and the absorptive capacity of domestic firms to meet the technical and certification standards foreign operators require (Okoli & Agu, 2015; Fu, Zanello, Guo, & Lu, 2020).

For this study, employment generation is operationalised as the perceived and measured change in direct local hiring, the distribution of local labour across casual and permanent positions, and the extent to which local content mandates have translated into genuine indigenous technical employment, among residents of Rivers State's four core FDI-hosting Local Government Areas between 2015 and 2025. This operationalisation supplies the empirical foundation for Objective 2.

IV. Research Methodology

The study adopted a convergent parallel mixed-methods research design, combining quantitative and qualitative approaches to provide a comprehensive understanding of FDI's effect on poverty reduction and employment generation in Rivers State. Quantitative data were collected through a structured questionnaire administered to a probability sample of residents, while qualitative data were obtained through semi-structured key informant interviews, with the two strands analysed separately and then integrated at the discussion stage to triangulate statistical patterns against lived institutional and community experience.

The study focused on Port Harcourt City, Obio/Akpor, Eleme and Bonny, the four Local Government Areas that have attracted the most substantial FDI inflows in Rivers State, encompassing the state's administrative and commercial centre, its major petroleum refining and petrochemical infrastructure, and its principal liquefied natural gas export facility. The target population comprised adult residents, indigenous entrepreneurs, local business owners and community members directly or indirectly affected by FDI activity across these four Local Government Areas, estimated at approximately 2,350,000 persons based on official demographic projections. A sample size of 400 respondents was derived from this population using Taro Yamane's formula at a 95 per cent confidence level with a 5 per cent margin of error (Yamane, 1967). A probability proportional allocation approach distributed this sample across

the four Local Government Areas in proportion to their estimated FDI-affected population, while a complementary purposive sample of 30 key informants, comprising government officials, business executives, traditional rulers and civil society representatives, was drawn across the same four areas to supply qualitative depth.

Data were collected using a structured questionnaire built on a four-point Likert scale, Strongly Agree, Agree, Disagree and Strongly Disagree, deliberately excluding a neutral midpoint to encourage decisive responses, divided into demographic profiling and objective-specific item clusters. In addition, semi-structured key informant interviews were conducted face-to-face or virtually with purposively selected institutional and community stakeholders, generating detailed narratives that corroborated and contextualised the quantitative survey data.

A total of 430 questionnaire copies were distributed to account for non-response and data contamination; 412 were retrieved, of which 400 were confirmed complete and usable following physical and logical auditing, a 93.0 per cent net retrieval rate meeting the required sample size exactly. Instrument validity was established through expert review by the academic supervisor and senior departmental lecturers, while reliability was assessed using Cronbach's Alpha, with a coefficient of 0.70 or above considered acceptable evidence of internal consistency (Creswell, 2014). Quantitative data were analysed using descriptive statistics, frequencies, percentages, means and standard deviations, to summarise respondent perceptions, with a criterion mean of 2.50 applied as the threshold distinguishing consensus agreement from disagreement. Simple linear regression was employed to test the study's null hypotheses at the 0.05 significance level, with composite indices for FDI as predictor and each developmental dimension as criterion computed from the survey data. Qualitative data from the key informant interviews were analysed using content analysis, identifying recurring themes and narratives that complemented and explained the quantitative findings.

A number of limitations attend this design and are acknowledged accordingly. The study was geographically restricted to four Local Government Areas which, while representing the primary industrial, administrative and maritime extraction epicentres of Rivers State, limit the direct generalisability of the findings to more agrarian upland or dissimilar coastal jurisdictions elsewhere in the state. Because the survey relied on cross-sectional primary data gathered at a single point in time, respondent appraisals of change across the full 2015-2025 decade were necessarily retrospective, leaving responses open to recall bias and to the emotional impact of prevailing macroeconomic conditions such as inflation and currency volatility at the time of data collection. The study also faced institutional barriers stemming from corporate confidentiality protocols, as foreign multinational operators-maintained restrictions on internal payroll records, expatriate employment quotas and profit repatriation data, requiring reliance on triangulated regulatory records, labour disclosures and key informant testimony rather than direct corporate data access.

V. Data Presentation

A total of 400 validated survey responses were collected across the four Local Government Areas selected for this study. Table 1 presents the consolidated demographic and response distribution of these respondents.

Table 1: Demographic and Response Distribution of Survey Respondents (N=400)

Variable	Category	Frequency	Percentage (%)
Local Government Area	Port Harcourt City	108	27.0
	Obio/Akpor	102	25.5
	Eleme	98	24.5
	Bonny	92	23.0
Gender	Male	244	61.0
	Female	156	39.0
Age Bracket	18-29 years	82	20.5
	30-45 years	188	47.0
	46-59 years	98	24.5
	60 years and above	32	8.0
Educational Qualification	FSLC	18	4.5
	SSCE/WAEC/NECO	78	19.5
	OND/HND/B.Sc./B.Tech	224	56.0
	PGD/M.Sc./MBA/Ph.D.	80	20.0
Occupation	Public/Civil Servants	68	17.0
	Private Sector Employees	112	28.0
	Informal Sector Operators	136	34.0
	Unemployed	84	21.0
Total	All Respondents	400	100.0

A further 30 key informants (8 Port Harcourt City, 8 Obio/Akpor, 7 Eleme, 7 Bonny) were purposively selected for the qualitative strand. Source: Field Survey, 2025 (adapted from Brown, 2025).

The balance between the quantitative and qualitative strands was itself methodologically deliberate. The 400-respondent survey, allocated proportionally across the four Local Government Areas, was designed to establish statistically generalisable patterns in household perception of FDI's effect on poverty and employment, patterns that a smaller qualitative sample alone could not support with comparable confidence. The 30 key informant interviews, by contrast, were reserved for institutional and community stakeholders, government officials, business executives, traditional rulers and civil society representatives, whose specialised vantage point on FDI governance, corporate conduct and regulatory enforcement could not be adequately captured through a standardised Likert instrument, and whose detailed narratives supply the explanatory depth behind the statistical patterns reported in the following sections. The 400 survey respondents were drawn across the four Local Government Areas in proportion to their estimated FDI-affected population, with Port Harcourt City and Obio/Akpor, the state's commercial and petrochemical core, together accounting for over half the sample (52.5%). The sample skewed male (61.0%), reflecting the demographic composition of industrial operations, technical fabrication yards and waterfront logistics docks in the surveyed corridors, while a combined 67.5% of respondents fell within the prime working-age bracket of 18-45 years, positioning the sample to speak directly to the employment generation question examined under Objective 2.

Educationally, over three-quarters of respondents (76.0%) held at least a tertiary qualification, reflecting the urbanised, commercially active character of the four surveyed Local Government Areas. Occupationally, informal sector operators formed the largest single category (34.0%), followed by private sector employees (28.0%), with 21.0% of respondents unemployed at the time of the survey, a composition that, together with the 30 key informant interviews spanning government officials, business executives, traditional rulers and civil society representatives,

ensured the data captured both statistically representative household-level perception and institutionally grounded qualitative context on the two objectives examined in this article.

VI. Data Analysis

Objective 1: Foreign Direct Investment and Poverty Reduction

Table 2: Responses on the Effect of Foreign Direct Investment on Poverty Reduction

Questionnaire Item	SA	A	D	SD	Mean	SD
Foreign investment projects have substantially reduced household poverty across host communities.	22	30	198	150	1.89	0.88
Operations of foreign multinationals have lowered the overall cost of living, rent and food prices.	46	61	187	105	1.70	0.81
Environmental degradation from extractive operations has reduced household income from farming and fishing.	205	105	50	40	3.27	0.86
CSR handouts have generated lasting, self-sustaining community wealth.	34	66	195	105	1.98	0.91
Inflationary pressures in commercial enclaves have worsened inequality between oil workers and non-oil residents.	201	99	51	49	3.25	0.83
Cluster Grand Mean					2.42	0.86

SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), SD = Strongly Disagree (1); criterion mean = 2.50. Source: Field Survey, 2025.

Table 2 shows a cluster grand mean of 2.42, below the 2.50 criterion, indicating overall disagreement that FDI has reduced household poverty in Rivers State. Respondents disagreed that foreign investment had substantially reduced household poverty ($\bar{x} = 1.89$) or lowered the cost of living, rent and food prices ($\bar{x} = 1.70$), and disagreed that corporate social responsibility handouts had generated lasting, self-sustaining community wealth ($\bar{x} = 1.98$). Conversely, respondents strongly agreed that environmental degradation from extractive operations had reduced household income from traditional farming and fishing ($\bar{x} = 3.27$) and that inflationary pressures in commercial enclaves had worsened inequality between oil-sector workers and non-oil residents ($\bar{x} = 3.25$).

Hypothesis 1

H01: Foreign Direct Investment has no significant effect on poverty reduction in Rivers State.

Table 3: Regression ANOVA for Foreign Direct Investment and Poverty Reduction

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.118	1	13.118	34.981	< .001
Residual	149.250	398	0.375		
Total	162.368	399			

$R^2 = 0.081$. Source: Field Survey, 2025 (SPSS v.28.0 output).

Table 4: Regression Coefficients for Foreign Direct Investment and Poverty Reduction

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.862	0.101	—	18.435	< .001
Foreign Direct Investment	0.231	0.039	0.284	5.914	< .001

Empirical equation: $YPOV = 1.862 + 0.231(XFDI)$. Source: Field Survey, 2025.

With $F(1, 398) = 34.981$ ($p < .001$) and $t = 5.914$ ($p < .001$), the null hypothesis (H_{01}) is rejected: FDI has a statistically significant effect on poverty reduction in Rivers State. However, the coefficient of determination ($R^2 = 0.081$) shows that FDI explains only 8.1% of the variance in poverty reduction, and the low positive slope ($\beta = 0.284$) confirms a weak structural transmission mechanism between foreign capital inflows and local poverty reduction, with the remaining 91.9% of variance attributable to factors outside FDI itself.

Objective 2: Foreign Direct Investment and Employment Generation

Table 5: Responses on the Impact of Foreign Direct Investment on Employment Generation

Questionnaire Item	SA	A	D	SD	Mean	SD
Foreign direct capital has created substantial direct employment for local youths across host LGAs.	38	58	164	140	1.99	0.93
Foreign firms systematically prioritise expatriates or non-indigenes for high-paying technical and managerial jobs.	188	146	46	20	3.26	0.84
Domestic labour in foreign operations is predominantly restricted to casual, low-wage, contract-based positions.	212	134	36	18	3.35	0.81
Local content mandates (e.g., NOGICD Act) have forced foreign firms to absorb indigenous technical graduates.	42	68	172	118	2.09	0.94
Direct hiring by foreign multinationals matches the volume of unemployed youths in Rivers State.	18	36	180	166	1.77	0.82
Cluster Grand Mean					2.49	0.87

SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), SD = Strongly Disagree (1); criterion mean = 2.50. Source: Field Survey, 2025.

Table 5 shows a cluster grand mean of 2.49, marginally below the 2.50 criterion. Respondents disagreed that foreign direct capital had created substantial direct employment for local youths ($\bar{x} = 1.99$) and disagreed that direct hiring by foreign multinationals matched the volume of unemployed youths in Rivers State ($\bar{x} = 1.77$). Significant majorities agreed that local labour is concentrated in casual, low-wage, contract-based positions ($\bar{x} = 3.35$) and that foreign firms systematically prioritise expatriates or non-indigenes for high-paying technical and managerial roles ($\bar{x} = 3.26$), while respondents were similarly unconvinced that local content mandates such as the NOGICD Act had forced foreign firms to absorb indigenous technical graduates ($\bar{x} = 2.09$).

Hypothesis 2

H₀₂: Foreign Direct Investment has no significant impact on employment generation in Rivers State.

Table 6: Regression ANOVA for Foreign Direct Investment and Employment Generation

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Regression	14.618	1	14.618	42.846	< .001
Residual	135.789	398	0.341		
Total	150.407	399			

$R^2 = 0.097$. Source: Field Survey, 2025 (SPSS v.28.0 output).

Table 7: Regression Coefficients for Foreign Direct Investment and Employment Generation

Model	B	Std. Error	Beta	t	Sig.
(Constant)	1.814	0.096	—	18.895	< .001
Foreign Direct Investment	0.278	0.042	0.312	6.546	< .001

Empirical equation: $YEMP = 1.814 + 0.278(XFDI)$. Source: Field Survey, 2025.

With $F(1, 398) = 42.846$ ($p < .001$) and $t = 6.546$ ($p < .001$), the null hypothesis (H_0) is rejected: FDI has a statistically significant impact on employment generation in Rivers State. The coefficient of determination ($R^2 = 0.097$) indicates that FDI explains only 9.7% of the variance in employment generation across the four Local Government Areas, with the remaining 90.3% determined by factors outside FDI, such as the informal economy and public sector hiring.

VII. Discussion of Findings

Foreign Direct Investment and Poverty Reduction

The finding that FDI exerts a statistically significant but substantively weak effect on poverty reduction ($R^2 = 0.081$) is consistent with dependency theory's account of enclave-structured investment, in which high aggregate capital inflow coexists with limited diffusion of economic benefit to host populations (Frank, 1967; Evans, 1979). Read through the Eclectic Paradigm, this outcome follows directly from the location logic underlying Rivers State's FDI: since the state's location advantage for foreign investors rests narrowly on subsoil petroleum reserves rather than on market size or skilled labour, the resulting investment is structurally resource-seeking and capital-intensive, generating high extraction value with limited need for broad local economic participation (Dunning, 1988). The qualitative data corroborate this statistical pattern directly, with key informants describing how the environmental footprint of extractive operations has actively undermined, rather than supplemented, household income from traditional livelihoods. The LNG and offshore platforms you see out on the water bring billions of dollars in export value, but for our young men who fished these creeks, the security buffer zones and thermal pollution have wiped out their catch. You cannot eat corporate reports; when a fisherman cannot go to sea, his family enters direct poverty.

— Community Leader, KII, Bonny LGA

The State Ministry lacks the vessels and independent laboratory capabilities to challenge multi-million-dollar oil spill assessments. The companies hire their own consultants, produce joint investigation reports that often cite third-party interference, and host communities receive little to no actual compensation. The state remains a bystander in its own regulatory corridor.

— Senior Environmental Regulator, KII, Port Harcourt City LGA

These accounts extend the survey finding that environmental degradation, rather than direct FDI presence, is the dimension most strongly associated with household poverty in host communities ($\bar{x} = 3.27$), echoing the broader Niger Delta pattern in which oil spills and gas flaring degrade the fisheries and farmland that historically sustained host-community livelihoods (UNEP, 2011; Ite et al., 2013; Elenwo & Akankali, 2019). The regulator's account of constrained state monitoring capacity further illustrates a structural feature dependency theory anticipates: weak sub-national institutional capacity to hold foreign capital accountable, consistent with what Peganti (2018) and Naanen (2022) describe as the rentier posture of sub-national governance in Nigeria's oil-producing states, in which regulatory enforcement remains secondary to maintaining uninterrupted investment continuity.

Taken together, these findings suggest that the weak transmission mechanism between FDI and poverty reduction identified in the regression analysis is not simply a matter of insufficient capital volume, but of a structural mismatch between where FDI's economic value is captured, in export earnings and corporate balance sheets, and where its environmental costs are borne, in the farmland and fishing waters of host communities, a mismatch consistent with the distributive imbalance that Ako and Okonmah (2022) and Ibaba (2023) document more broadly across the Niger Delta. The disagreement respondents expressed with the proposition that corporate social responsibility handouts have generated lasting, self-sustaining community wealth ($\bar{x} = 1.98$) is consistent with Ako's (2020) critique of CSR practice in the Niger Delta as palliative and tokenistic rather than developmental, treating community welfare as a discretionary corporate expenditure rather than an enforceable obligation. Amnesty International (2023) documents a comparable pattern of inadequate corporate accountability for environmental harm across Niger Delta oil operations more broadly, reinforcing this study's finding that the poverty-generating environmental costs of FDI in Rivers State have not been offset by commensurate corporate remediation or compensation. The Bonny community leader's framing of security buffer zones restricting fishing access points to a further dimension of this poverty pathway that extends beyond direct environmental contamination: the securitisation of extraction infrastructure itself can restrict host-community access to the natural resources on which their livelihoods depend, independent of measurable pollution. Ukeje (2019) documents this pattern of security enclaves around multinational oil infrastructure across the Niger Delta, while Omeje (2019) situates such enclave securitisation within the broader architecture of oil conflict and stakeholder exclusion in Nigeria's extractive sector, both consistent with this study's finding that the communities hosting Rivers State's most capital-intensive FDI projects report the weakest poverty outcomes.

Foreign Direct Investment and Employment Generation

The finding that FDI's effect on employment generation, while statistically significant, explains under ten per cent of observed variance ($R^2 = 0.097$) is consistent with the technologically sophisticated, capital-intensive character of ownership advantage that drives FDI into Rivers State under the Eclectic Paradigm: firms possessing proprietary technology and specialised management capability have limited structural need for extensive local labour absorption (Dunning & Lundan, 2008). Dependency theory supplies the complementary explanation for the specific pattern of labour casualisation and expatriate concentration the survey data reveal, treating it as a predictable consequence of an enclave economy in which technological and managerial control remains firmly with the foreign parent enterprise (Asiedu, 2006; Fu et al., 2020). The qualitative data illustrate precisely this pattern of labour stratification and the limits of local content enforcement in practice. Local youths are hired as security guards, casual clean-up crews, or grass-cutters through human resource vendor agencies. The high-paying instrumentation and subsea engineering positions are reserved for expatriates or contract personnel recruited directly from Lagos and Abuja. Once the plant construction phase finishes, thousands of local boys are immediately retrenched.

— Youth Mobilisation Leader, KII, Eleme LGA

Multinational corporations frequently report local content compliance based on the monetary value of contracts awarded. However, when you audit those contracts, they often consist of diesel supply or equipment leasing through front companies owned by elites, rather than genuine domestic engineering capacity building.

— Local Content Compliance Monitor, KII, Port Harcourt City LGA

These accounts corroborate the survey finding that domestic labour remains concentrated in casual, low-wage positions ($\bar{x} = 3.35$) while high-value technical roles are reserved for expatriates ($\bar{x} = 3.26$), and they extend the regression finding by identifying the specific institutional mechanism through which this pattern persists despite formal local content requirements: compliance measured by contract value rather than by verified technical skills transfer, a gap consistent with Okoli and Agu's (2015) and Radošević's (2022) accounts of limited technology transfer from foreign enterprise to domestic labour markets in weak-institutional-capacity settings.

Read jointly, the two key informant accounts suggest that Rivers State's weak employment-generation outcome from FDI is not primarily a function of insufficient investment volume, but of a governance gap in which local content enforcement, as presently practised, cannot distinguish between genuine technical capacity building and nominal contract compliance, a distinction Sayne, Gillies and Katsouris (2018) and Obi (2021) identify as central to whether local content policy in Nigeria's extractive sector achieves its intended developmental purpose. This governance gap is consistent with what Cirera and Maloney (2017) describe as the innovation paradox confronting developing economies more broadly: formal policy instruments intended to build domestic technological and technical capacity frequently fail not for lack of ambition but because the absorptive capacity required to convert foreign firm presence into genuine local skills transfer is itself underdeveloped, leaving local content requirements satisfied on paper without the underlying capability transfer they were designed to produce. Global investment and technology trends documented by UNCTAD (2021, 2022, 2023) confirm that this pattern is not unique to Rivers State, with technology-intensive FDI across developing economies generally showing weaker direct employment and skills-transfer outcomes than market-seeking or labour-intensive investment, a structural tendency consistent with the resource-seeking, capital-intensive character of FDI in Rivers State's petroleum sector examined under this study's Eclectic Paradigm framework.

Omotola's (2020) analysis of federalism and sub-national state capacity in Nigeria offers a further explanation for why local content enforcement has proven difficult to strengthen: sub-national governments such as Rivers State possess limited independent regulatory authority over an extractive sector whose core governance instruments, including the NOGICD Act itself, are administered at the federal level, leaving state-level institutions with constrained capacity to compel the kind of rigorous, skills-verified compliance this study's findings suggest is currently lacking.

VIII. Key Findings

- i. FDI has a statistically significant but substantively weak effect on poverty reduction in Rivers State ($R^2 = 0.081$), with respondents overwhelmingly disagreeing that foreign investment has reduced household poverty or lowered the cost of living. The weak explanatory power indicates that over nine-tenths of the variance in poverty outcomes among host-community respondents is attributable to factors other than FDI presence itself.
- ii. Environmental degradation from extractive operations is the dimension most strongly associated with household poverty in host communities, with respondents attributing declining farming and fishing income directly to the environmental footprint of FDI-linked operations. This finding was the strongest point of agreement across the entire poverty-reduction item cluster, exceedingly even respondents' disagreement with claims of direct poverty alleviation.
- iii. FDI has a statistically significant but substantively weak impact on employment generation in Rivers State ($R^2 = 0.097$), with direct local hiring falling far short of the volume of unemployed youths in host Local Government Areas. This marginally higher explanatory

power relative to poverty reduction suggests employment is the channel through which FDI's limited local benefit is most directly, if still weakly, transmitted.

iv. Domestic labour in foreign operations is predominantly confined to casual, low-wage, contract-based positions, while high-paying technical and managerial roles remain concentrated among expatriates and non-indigenes. Key informants described this stratification as structurally embedded in how foreign operators organise staffing around construction and maintenance cycles rather than as an incidental or temporary feature of current operations.

v. Local content enforcement under instruments such as the NOGICD Act is widely perceived as measuring compliance by contract monetary value rather than by verified technical skills transfer, limiting its effectiveness in converting FDI into genuine indigenous employment capacity. Regulatory compliance monitors themselves corroborated this gap, describing contract audits that frequently reveal compliance achieved through equipment leasing or supply arrangements rather than labour absorption.

vi. Qualitative accounts from community leaders, regulators and compliance monitors corroborate the statistical pattern, attributing weak poverty and employment outcomes to constrained sub-national regulatory capacity and the enclave structure of FDI-linked operations. This convergence between the quantitative and qualitative strands, obtained independently through different instruments and respondent groups, strengthens confidence that the weak-transmission pattern identified is a genuine feature of FDI's local impact in Rivers State rather than an artefact of either method alone.

IX. Conclusion

This study set out to examine the effect of foreign direct investment on poverty reduction and employment generation in Rivers State between 2015 and 2025. The evidence assembled from a 400-respondent survey and 30 key informant interviews across Port Harcourt City, Obio/Akpor, Eleme and Bonny demonstrates that FDI has exerted a statistically significant but substantively weak effect on both dimensions, explaining only 8.1% of variance in poverty reduction and 9.7% of variance in employment generation, with the overwhelming majority of respondents reporting that foreign investment had neither reduced household poverty nor generated substantial direct local employment. The study further establishes that this weak transmission is not incidental but structural, read jointly through the Eclectic Paradigm and Dependency Theory, FDI in Rivers State is drawn overwhelmingly by location advantage rooted in subsoil petroleum reserves rather than market size or skilled labour, producing a capital-intensive, technologically self-contained investment pattern that dependency theory predicts will generate limited local linkage. Environmental degradation from extractive operations compounds this weak transmission by actively eroding the traditional farming and fishing livelihoods that previously sustained host-community households, while local content enforcement, as presently practised, has proven insufficiently rigorous to convert formal compliance requirements into genuine indigenous technical employment.

The study concludes that closing the gap between Rivers State's substantial FDI inflows and its persistent poverty and unemployment will require governance reforms that directly address the mechanisms identified here, strengthening sub-national environmental monitoring capacity, and converting local content compliance from a contract-value exercise into one that verifiably builds domestic technical capacity, since neither outcome can be expected to follow automatically from FDI volume alone. These conclusions should be read alongside the limitations acknowledged in the methodology, particularly the geographic confinement of the study to four Local Government Areas and its reliance on retrospective respondent appraisal across a ten-year reference period. Future research combining this study's mixed-methods approach with longitudinal, time-series tracking of FDI inflows against household welfare indicators, and extending coverage to additional Local Government Areas and to comparator

oil-producing states within the Niger Delta, would strengthen the evidentiary basis for the weak-transmission findings this study advances and could help establish whether the governance gaps identified here, in corporate accountability for environmental harm and in local content enforcement, are specific to Rivers State or characteristic of Nigeria's extractive-sector FDI more broadly.

X. Recommendations

Based on the findings of this study, the following recommendations are made:

- i. The Rivers State Government, in coordination with the Nigerian Upstream Petroleum Regulatory Commission under the Petroleum Industry Act 2021, should transition from discretionary corporate social responsibility palliatives to legally enforceable Host Community Development Trusts prioritising ecological remediation and rehabilitation of traditional fishing and farming livelihoods, directly addressing the environmental pathway through which this study found FDI undermining household poverty outcomes.
- ii. The Nigerian Content Development and Monitoring Board should reform local content enforcement to audit compliance based on verified technical labour hours and skills-transfer milestones rather than gross contract monetary value, addressing the governance gap this study identifies between formal local content compliance and genuine indigenous technical employment.
- iii. Legislative and regulatory authorities should mandate that foreign firms transition domestic technical personnel from third-party casual contracts toward permanent employment on a defined timeline, directly targeting the casualisation pattern this study's survey and key informant data both confirm.
- iv. The Rivers State Ministry of Commerce and Industry should strengthen independent environmental monitoring capacity, including dedicated vessels and independent laboratory capability, to verify oil spill assessments and compensation claims rather than relying solely on operator-commissioned investigations, addressing the regulatory capacity gap key informants identified as constraining accountability.

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