Justice delivery system crisis in Nigeria and implications for foreign direct investment

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Abstract

Foreign direct investment (FDI) is crucial for Nigeria because the country is in desperate need of funds to quicken its rate of economic development. The FDI inflow can be influenced by a variety of factors, including institutional, political, and economic ones, in addition to the existing legal framework. The primary obstacle to foreign direct investment (FDI) into Nigeria is the country's justice delivery system, which is the subject of this paper. The unpredictable inflows of investment that result from this crisis keep the nation from enjoying the benefits that come with it. These advantages include higher living standards, increased productivity, domestication, and technological adaptation. The study also adopted the Ordinary Least Square (OLS) for estimation and found that Nigeria may lack a robust justice system or experience delays in the justice system, which hinders the inflow of FDI into the country. In order to speed up the delivery of justice while adhering to global best practices, Nigeria must thus implement improved case management systems and expedited procedures. To attract favorable foreign direct investments (FDIs), developing nations should embrace liberal and democratic economic systems in addition to pro-business reforms.

Keywords: justice delivery system, crisis, foreign direct investment, fast-track procedure, OLS, Nigeria.

JEL Classification Codes: F21, K20, O16, O17, O43

1. Introduction

Encouraging foreigners to start companies or purchase sizable ownership stakes in companies that are already operating in their nations is one way to help an economy expand and flourish (United Nations Conference on Trade and Development [UNCTAD], 2018; Carbonell & Werner 2018; Nayak, & Choudhury, 2014; Denisia, 2010). Foreign direct investment (FDI) is the term used for this. These international investors are typically driven by the perceived benefits of relocating, which include cheaper production costs, greater market reach, and access to raw materials and natural resources (Nayak & Choudhury, 2014). Benefits of positive foreign direct investment (FDI) flows to host nations include increased employment, the transfer of technical and management know-how, and the acquisition of new technologies (Søreide, 2001; Organisation for Economic Co-Operation and Development [OECD], 2002). As a result, a lot of nations credit the advantages these foreign investors have brought about for part of their economic achievements. Therefore, one of the main objectives of many economies is to encourage favorable FDI flows by making their nations an appealing location for international investors.

Researchers have been very interested in the benefits of FDI flows to developing economies, and empirical findings have been inconsistent (OECD, 2002; Borensztein & Lee, 1998). The causal relationship between foreign direct investment (FDI) and economic growth for 66 developing nations was examined by Duttaray et al., (2008). They found that different countries had different channels through which FDI led to growth. Similarly, Hansen & Rand (2006) found that foreign direct investment (FDI) positively impacted GDP by allowing countries to benefit from the new technology and knowledge that foreign investors brought to the table. Zhang (2001) discovered that trade liberalization, ideal living standards, and a stable macro-economy are indications of favorable foreign direct investment (FDI) for host nations, based on data from East Asia and Latin America. Durham's (2004) research, however, indicates that the ability of the institutions in the host nations to absorb FDI may be a determining factor in its beneficial benefits. Furthermore, Herzer (2012) discovered that the detrimental impact that foreign direct investment (FDI) had on growth in those developing nations varied among countries. The degree of government intervention, reliance on primary exports, ease of doing business, and volatility of FDI flows all affected these disparities. Batten & Vo (2009) explored the connection between foreign direct investment (FDI) and economic growth. They concluded that factors such as advanced stock markets, trade liberalization, and higher educational qualifications were associated with FDI. Major determinants of foreign direct investment (FDI) have been identified as institutional issues, including legislative and law enforcement regimes (Lipsey, 2000).

Nigeria has been a popular FDI destination over the years for a variety of reasons (UNCTAD, 2009; Ayanwale, 2007). In addition to creating a sizable market for goods and services, its big

population serves as a ready labour pool. The nation is also blessed with an abundance of natural resources, which increase the incentives for use. UNCTAD (2009) states that "between 2001 and 2007, foreign direct investment (FDI) accounted for over half of Nigeria's gross fixed capital formation, compared to an average of approximately 15% in the rest of Africa and 12% for developing countries overall." Nigeria actually surpassed South Africa in 2013 as the most popular destination for foreign direct investment in Africa. Furthermore, according to UNCTAD, FDI inflows ranged from $5 billion to $7 billion annually between 2004 and 2014 (UNCTAD's, 2018). In spite of all of this, foreign direct investment (FDI) into Nigeria has decreased recently. Despite Nigeria's potential, Chijioke (2018) notes that current data indicates that South Africa and Morocco are now the top destinations for international investors. UNCTAD's 2018 World Investment Report, which stated that "Foreign Direct Investment (FDI) to Nigeria fell by 21% in 2017 to $3.5 billion," underlined this terrible position. Regretfully, it seems that things have been like way since 2015. The World Bank (2020) reported that FDI inflows to Nigeria totalled US$ 1.99 billion in 2018, a 45% decline from FDI inflows in 2016. Nigeria received US$2.31 billion in foreign direct investment (FDI) in 2019, up 197.34% from 2018, and US$2.39 billion in 2020, up 3.48% from 2019. The foreign direct investment (FDI) increased to US$3.31 billion in 2021, a 38.9% rise from 2020 FDI, then decreased to US$-0.19 billion in 2022 from FDI in 2021 (World Bank, 2022).

Various explanations have been offered by researchers for the recent drop in foreign direct investment (FDI) into Nigeria. The nation entered a recession in 2015 due to a decline in crude oil prices, but other factors that have been mentioned include unstable exchange rates, inadequate infrastructure, insecurity, and an unsteady operating environment (The Sun, 2018). As per the United States Bureau of Economic and Business Affairs (2018), the decrease in foreign investments might persist if the government does not tackle obstacles that discourage foreign direct investment (FDI), like inadequate infrastructure, unfavorable laws and regulations, and security issues. According to Ubani (2017), in addition to the previously listed indicators, other elements like a functioning legal system also support economic expansion. Investors are therefore interested in the legitimacy of an economy's institutional framework and governance in addition to economic indices, according to Ubani (2017). To put it simply, a lot of foreign investors are drawn to nations with legal systems that guarantee them a fair trial and a prompt outcome.

The Nigerian judicial system has been tested on several negative grounds. No one other than the chief justice of this country has argued that delays in the judicial system could deter investors. "It goes without saying that a judicial system plagued by delays in sentencing is unattractive to investors," (Nnochiri, 2018). A country's judicial system plays an important role when foreign investors decide to invest in the economy. It was suggested that an effective and efficient judicial system influences the behavior of her three groups of actors: investors, creditors, and corporations. As creditors become more confident and willing to lend, investors

can also be confident of adequate protection, ultimately helping investors and creditors reduce the financial burden of doing business. Companies can get maximum profits. The effectiveness of judicial administration is an important part of the overall legal system, which includes "all institutions and officials involved in the making and enforcement of laws, including courts and judges." Officials. and politicians in their positions as law makers and enforcers" (Perry, 2000). It is therefore vital that the judicial system not only not unnecessarily delay legal proceedings, which often last for years, but also that judgments are carried out promptly and in a prescribed manner.

Essentially, it is argued that four key criteria are needed for a legal system to support optimal market activity. (a) Guaranteed and unrestricted access, (b) predictable decisions and outcomes, (c) timely decisions, and (d) appropriate remedies (Sherwood, Shepherd, & De Souza, 1994). Since this article focuses primarily on criteria c and d, this discussion reveals the variation between all four factors. We have a particular interest in law enforcement as it pertains to how quickly legal decisions that affect critical businesses are made in Nigeria. We also handle the implementation of court judgments. Therefore, in considering the crisis in Nigeria's judicial system and its impact on the flow of foreign direct investment into Nigeria, this paper seeks answers to the following questions: In determining the direction of foreign direct investment? What role does the legal system play in? Does an effective legal system play a role in attracting investment, especially in developing countries where investment is part of development? Countries with inefficient legal systems are less attractive to potential investors. Will it fade? We show that all these have a significant impact on FDI inflows to Nigeria.

This paper is important in many ways. First, we provide evidence on how perceptions of the judicial system influence foreign direct investment flows into a country. Second, it suggests ways to attract foreign direct investment into emerging economies like Nigeria within the legal framework. Again, the recommendations from this study will serve as lessons for countries with similar economic and legal systems, especially developing countries. The remainder of this document is organized as follows: Section 2 discusses the concepts of crisis, law enforcement, and international best practices. Section 3 examines the crisis in Nigeria's judicial system, Section 4 highlights the impact of the judicial crisis on foreign direct investment in Nigeria, Section looked at the review of literature, Section 6 describes the methodology and results, and Section 7 concludes and gives recommendation.

2. Concepts of crisis, justice delivery and international best practices

2.1. Concepts of crisis and justice delivery

A crisis can be understood as a situation that represents a deviation from established rules and procedures, leading to an almost complete collapse of the system. The interactions associated with all kinds of crises inevitably have negative consequences for the proper functioning of

society as a whole. A crisis refers to a state of system disorder, suffering, rising panic, and a state of crossroads. Successful achievement of the desired objectives usually requires a realignment of operations.

There are many existing systems in normal society. Depending on the definition, these include economic, social, political, legal, administrative systems, etc. Any of these systems can face a crisis and negatively impact other systems. The legal system ensures a smooth process in seeking redress and obtaining justice, whether favorable or unfavorable, within a reasonable period of time. Judicial delay is frowned upon because it affects almost everything, directly or indirectly. Therefore, best practices are needed and should be the aspiration of all countries.

A well-developed theoretical theory (based on institutional economic theory) that in free market systems, legal institutions should and do play a role in determining whether to invest abroad or not. There is debate (Sherwood, Shepherd, De Souza, 1994; La Porta et al., 1998; Shapiro & Groverman, 2002). For example, on a theoretical level, British common law countries generally offer better investor protection than civil law countries and have therefore been shown time and again to be a criterion when deciding whether to invest. This is because, unlike the latter, common law countries rooted in the English tradition interpret the spirit of the law (or contract) rather than its letter, which inevitably leads to lower contract costs (La Porta et al., 1998; Kobeissi, 2005). Common law also "facilitates the development of capital markets and investment opportunities, thereby attracting more foreign investment." In contrast, civil law strictly adheres to written law, and therefore the duration of legal proceedings should usually be longer (Kobeissi, 2005).

In practice, the debate about the need for an effective legal system in the context of foreign direct investment is primarily based on the idea that investors want transparency and predictability in the business environment. Of course, "just as important as the content of the rules is what they actually mean" (Perry, 2000). Clarity and predictability allow legal companies and investors to know what will happen and when. This helps in business decision making and reduces transaction costs. This lack of effectiveness in the legal system creates business risks, increases transaction costs, and impairs efficiency. If corruption affects the timely promulgation of judicial decisions, or if legal decisions that affect important business are made arbitrarily by legal authorities, they can have a material impact on investment decisions. The argument can be made (and always has been) that there is (Perry, 2000).

2.2. International best practices to curb delays in the judicial process

International best practices for curbing unreasonable trial lengths have long recognized that developing better case management systems that lead to efficient trials is a priority (Albers, 2002). Case management principles recognize the need for balance. Build an optimal law enforcement system by balancing speed and efficiency. Balancing creates an “optimal time frame” for different types of litigation in different practice areas (Albers, 2002) Sir Edward

Coke CJ Three essential qualities of justice as identified in an ancient commentary on the Bill of Rights.

Justice. . . Rivera, must be free. For there is nothing more abominable than righteousness for sale. There must be no delay or gradual recognition for justice, completely and completely. And Cereris, Speedy. . . Because delay is a kind of denial. (Dyson, 2015)

Delay in a judicial context refers to the time spent disposing of a case beyond the period within which a decision by the court could reasonably be expected (Bentham, 1843). Delay, as a form of denial, is expressed in the popular saying, "Justice delayed is justice denied," and is most relevant in the business environment and in matters related to foreign direct investment. This may mean that the justice given does not affect investors. Let's take the case of foreign investors as an example. Starbucks buys land in Lagos and begins construction of a multibillion-dollar coffee factory. Halfway through the construction phase, Mr. B (a family member from Lagos) realized that the land he was building on might belong to his family and filed a suit in the Supreme Court. After a two-year trial, the case was ruled in favor of Starbucks. Mr. B was dissatisfied with this and appealed to the Court of Appeal. Considering the backlog of cases, it would take another three years for the case to be completed and the verdict would also be in favor of Starbucks. Even if Mr. B had decided not to go to the Supreme Court, it would have taken five years to obtain a judgment of no value to Starbucks. In addition to the fact that Starbucks may be less willing to continue investing, Mr. B may also have incurred significant costs in financing the loan taken out for the investment. There's a good chance you won't be able to bear it. It is also possible that Mr. B distributed assets outside the court's jurisdiction within the period, which would make enforcement of the judgment against him in any way impossible. Therefore, in this scenario, the judgment is worthless for Starbucks in all respects. Of course, the situation would most likely be different if the matter were initiated and tried before a three-month fast-track trial dedicated solely to cases related to foreign direct investment.

To increase the competitiveness of businesses, legal procedures in Nigeria need to reduce delays by reducing time spent on procedural matters that have little or no impact on the substance of the claim. Common law systems rely heavily on procedure, but the complexity of transactions in today's world requires striking the right balance between procedural issues and genuine substantive issues, with the ultimate goal of It's a time saver, not an efficiency saver. Courts in various jurisdictions in the 21st century have generally attempted to develop new mechanisms that allow less obsequious adherence to the procedures that characterized the 20th century. For example, Kauffmann and Caselta (2015) show that article 191 of the Brazilian Civil Procedure Code 2014 provides that, similar to arbitration, parties can, with the consent of the court, decide to change procedural issues related to their case. This indicates that it is possible to do the following. This saved us valuable business-critical time. In Nigeria, strict adherence to procedural rules is often the means by which lawyers seek adjournments or

extensions of trials. If Nigeria is serious about investing, it needs to shorten the trial period. The points outlined above should be part of a comprehensive case management policy. Case management is a judicially-led initiative to control the pace and movement of a case from the time it is submitted to the court registry, through trial, and, if necessary, to the disposition of the case and the enforcement of judgments, to eliminate delays.

3. Crisis in the Nigerian justice delivery system

The analysis of Nigerian transactional deals by Getting the Deal Through (2018) revealed that resolving commercial cases in Nigerian courts typically took an average of 18-24 months, depending on various factors such as the attitudes of the legal counsel and the judge, as well as the complexities of the case. Findings from a 2004 assessment conducted by the United Nations Office on Drugs and Crime (UNODC) regarding the integrity and capacity of the Nigerian Justice Sector highlighted several key points:

- A prevalent lack of meritocracy, with 'connections' and other forms of rent-seeking being of greater importance.

- Negative perceptions and experiences among court users leading to a general reluctance to engage with the court system.

- Perceived lack of judicial independence due to widespread judicial corruption.

- The direct correlation between the frequency of bribe requests and case duration.

- The potential benefits to the Nigerian FDI environment through improved access to justice and reduced corruption levels.

It is evident that these factors can serve as significant deterrents for potential investors. Apart from the need for certainty and avoiding uncertainty, investors also consider the time value of money and inflation. Even if justice is eventually served in favor of the investor, the value of the outcome may have significantly diminished over time. This situation is further complicated by the courts' reluctance to award substantial damages or costs, which cover the expenses incurred during the legal proceedings.

It is crucial to inquire about the causes of the delays in the issuance of judicial rulings in the nation. In addition to the aforementioned drawbacks, the conventional justice administration system in Nigeria also plays a significant role. The Nigerian system heavily relies on procedural requirements in case handling: court documents must be submitted in advance, evidence must be properly pleaded and presented, most arguments are restricted to written form, interlocutory motions must be addressed before substantive issues, motions must be filed within specific timeframes to be considered valid, appeals sometimes require strict adherence to the specified number of copies of court documents, otherwise they may be dismissed regardless of their merit, and so on. Consequently, this procedural emphasis allows lawyers to raise objections,

unnecessarily prolonging legal proceedings. From a practitioner's standpoint, it is not uncommon for a legal point to be debated for 5-10 years in an appellate court before the substantive matter is even addressed. When these factors are combined with the inadequate power supply, ineffective case management system, substantial ICT infrastructure deficiencies, and the overwhelming caseload in court dockets, the outcome is extensive delays.

According to one commentator:

> Despite the efforts made by Nigerian courts to expedite the resolution of cases, the backlog of cases continues to be a challenge. Even if the judges were to solely focus on the existing cases at the Court of Appeal for the next five years, it would still be impossible to clear the backlog. With approximately 5000 cases awaiting judgment, the increasing number of commercial lawsuits further exacerbates the delays. These factors contribute to the existing delays in the judicial system (Nwannekama, 2017).

However, it is important to note that the Nigerian courts have implemented certain measures to ensure a more efficient process. For instance, many courts now adopt the frontload system, where all written arguments and evidence are consolidated into a single brief. This simplifies court procedures and prevents surprises that often cause delays. Additionally, some courts have established specific timeframes for the resolution of cases, depending on the nature of the claim. The High Courts in Kano and Lagos, being commercial centers, have introduced the Fast Track Procedure under certain conditions. This procedure aims to expedite proceedings, particularly for cases involving liquidated monetary claims, mortgage transactions, charges, or other securities. Furthermore, judges are constitutionally obligated to deliver judgments within 90 days of the conclusion of a case (CFRN, 1999).

The objective is to ensure that commercial cases are resolved within a 9-month period. However, despite these efforts, the backlog of cases remains a significant challenge for the Nigerian judicial system.

However, a thorough examination of certain cases decided within the country still uncovers significant delays in the resolution of lawsuits. For instance, in the Chiroma v Forte Oil Plc case, which was ruled upon by the Court of Appeal in 2018 (LPELR-43873), the trial judge failed to adhere to the 90-day time limit and only delivered the judgment after a staggering 20-month period, during which the statute of limitations expired for the Applicant. The issue of delay appears to be even more prevalent in the appellate process. It is not uncommon for matters to take over 10 years to reach a final resolution, spanning from the lower courts to the appellate courts. In the Union Bank Plc v Ayodare and Sons (Nig) Ltd case (NWLR, 2007), the appeal process endured for a lengthy 18-year period. Similarly, in the Adisa v Oyinwola case, it took a staggering 15 years for the appeal to progress from the Court of Appeal to the

Supreme Court (ANLR, 2000). The Ariori v Elemo case serves as another example, where the matter was not ultimately settled until after an extensive 23-year duration (LPELR-SC.80/1981).

Despite the recent legislative improvements allowing appellate courts to grant accelerated hearings in exceptional cases, delays still persist. It is not uncommon for adjournment dates to be set 12-24 months in advance in both the Court of Appeal and The Supreme Court, which can be detrimental in business matters. The appellate process is known to take time due to the nature of higher courts' jurisdiction, technicalities involved, and the need for leave to appeal in certain cases. Interlocutory matters must also be resolved before moving back to the court of first instance. Additionally, appellate courts have fewer judges and require a minimum of 3 to form a quorum for decision-making.

It could be contended that implementing a system similar to the Fast Track Procedure nationwide, without the option of appeal or with appeals only to the Court of Appeal, could be the key to reducing delays in the judicial process for FDI related commercial cases. This approach would provide certainty to parties involved, allowing them to anticipate judicial decisions and make informed business choices. Consequently, arbitration may emerge as a more attractive option for investors in business disputes due to its quicker proceedings and limited opportunities for appeals. However, it is important to acknowledge that arbitration has its drawbacks, such as the exclusion of certain business matters with public policy implications and the reliance on national courts to enforce arbitral awards.

4. Repercussions of judicial crisis on foreign direct investment in Nigeria

The traditional economic theory stating that wants will always surpass resources remains valid even for nations, leading to Nigeria, like other developing countries, consistently grappling with the issue of development needs outpacing available funds. Therefore, any improvement in economic conditions can only be achieved through fresh injections of capital to jumpstart the economy. Economists argue that, under normal circumstances, injecting funds into the economy would stimulate spending and revitalize economic activity. While the Keynesian theory suggests increasing government spending during such times, Nigeria's high double-digit inflation rate may not make this the most suitable option. It is evident that Nigeria's most feasible way out of its current stagnant state of growth is to transform the country into an attractive investment destination, thereby attracting much-needed foreign investment.

Foreign Direct Investment (FDI) holds particular significance for developing economies. A rise in FDI not only brings in funds for investment purposes but also typically brings along technology transfer and managerial expertise, essential components for economic progress. This is why FDI is considered a key driver of the development process. In essence, FDI acts as

the 'yeast' necessary for the dough to rise. Consequently, countries strive to make their economies the preferred choice for potential investors.

Numerous factors have been identified in existing literature as key determinants of foreign direct investment (FDI) flow to a specific country at any given time. These factors include market size, exchange rate depreciation, political risk, level of infrastructure, and tax regime. Empirical research has provided evidence to support the influence of these determinants on FDI flow (Nurudeen et al., 2011). However, Blonigen & Piger (2014) present a different perspective, suggesting that not all of the aforementioned variables have as significant an impact on FDI as previously believed. Instead, they propose that trade agreements, per capita GDP of the parent country (rather than that of the host country), and the availability of skilled labor are more likely to be the determining factors. They argue that while the quality of a host country's institutions or infrastructure may still have some influence on FDI, the relationship between FDI flow and trade agreements is more robust. In summary, these other variables may still affect FDI, but their impact is not as substantial.

The inflow of foreign direct investment (FDI) into the Nigerian economy has been unstable and, in most cases, declining since 2000. After Nigeria transitioned to democratic rule in 1999, the government's focus was on undoing the damage caused by previous military regimes and instilling confidence in investors. As a result, there was a significant increase in FDI inflows between 2001 and 2002, reaching a peak of $4,978.26 million. This positive trend continued with a 134% increase between 2004 and 2005, as well as an increase in recent years. The rise in FDI during these periods can be attributed to the favorable macroeconomic environment created by the National Economic Empowerment and Development Strategy (NEEDS) implemented by the Obasanjo administration. NEEDS had four main objectives centered around macroeconomic, structural, public sector, and institutional/governance reforms. However, in subsequent years, FDI inflows stagnated, worsened, or experienced a declining rate, resulting in a decrease of approximately US$190 million.

Several factors contributed to this decline, as highlighted by Udeme (2011). Insecurity, inadequate infrastructure such as transportation and telecommunication systems, weak accounting standards, and poor enforcement of legal obligations were among the reasons cited. Additionally, the global drop in commodity prices, including crude oil, which is Nigeria's primary source of revenue, played a significant role in the reduced FDI inflows, especially for developing countries like Nigeria. To compound the situation, Nigeria officially entered a recession in 2016, further discouraging foreign investors concerned about the purchasing power of the population.

Sobowale (2017) emphasizes the significance of adequate FDI for meaningful development, highlighting the substantial economic growth experienced between 2012 and 2014. However, the subsequent decline in FDI flows is concerning. He attributes this drop to corruption,

contract nullifications, and a lack of respect for the rule of law in Nigeria. Sobowale (2017) provides examples such as Dangote Industries Limited's invalidated refinery purchase, Bi-Courtney Aviation Services Limited's case, the legal battle between Innoson Motors and GT Bank, and the dispute between NCC and MTN. These instances demonstrate the detrimental impact of contract breaches and legal uncertainties on foreign investors' confidence in Nigeria's business environment.

Trust plays a crucial role in the decision-making process when it comes to investing. Whether choosing to save or invest, it is essential to have confidence that our funds are secure. A robust and independent judiciary is necessary to ensure justice is served promptly and fairly. Attracting both local and foreign investors is a challenging task, and maintaining their confidence requires an efficient legal system with a skilled workforce capable of delivering top-notch interpretations. An effective justice system is vital in creating an environment conducive to investment. The current state of the judicial system in Nigeria, particularly in terms of justice delivery, presents significant obstacles to foreign direct investment (FDI). Despite the numerous benefits that FDIs bring, such as capital accumulation, technology transfer, increased tax revenues, and economic growth, the unreliable legal environment in Nigeria hinders the inflow of FDIs. Addressing corruption and improving property rights protection are crucial steps to attract more investments (Egbo, 2010). The delays in justice delivery, caused by legal tactics and inadequate infrastructure, further discourage potential investors from engaging in the Nigerian market.

The growth of the Nigerian economy has fallen short of expectations, partly due to this particular development. This is disheartening considering that numerous studies have indicated that Foreign Direct Investment (FDI) has played a positive role in the economic advancement of Nigeria. For instance, Egbo et al., (2011) conducted an empirical analysis on the correlation between FDI and economic growth in Nigeria over a span of 27 years (1981 – 2007) using the granger-causality technique. Their findings revealed that the inflow of FDI had a beneficial impact on the Nigerian economy during that period, significantly contributing to its overall economic growth.

5. Literature review

Lee, Biglaiser & Staats (2014) studied how different types of legal systems affect foreign investment in poorer countries. They looked at panel data from 111 countries from 1970 to 2007 and found that countries with common law legal systems tend to attract more foreign investment than countries with civil law or Islamic law systems. This is because common law systems help protect property rights and promote fairness in the legal system. In a study about how countries protect people's property rights and attract foreign investment, Tag (2021) used a method called GMM estimation on data from 150 countries between 2000 and 2016. They discovered that countries with fair and independent courts tend to get more foreign investment.

However, the connection between enforcing contracts through the legal system and attracting foreign investment was not as strong. In a study by Kirovska, Gjozinska, & Jadrovska (2022), they looked at how the legal system in North Macedonia can make companies want to invest there. They found that when the government protects property rights and makes laws more efficient, it makes businesses feel safer and more likely to invest in the country.

Zhang & Liu (2021) looked at how fair and clear rules can help attract money from other countries to make our economy stronger. They studied 98 countries from 2014 to 2017 and found that having good rules in place can bring in more FDI inflow from other countries. They also found that having no corruption, making sure rules are followed, and having a government that is open and honest are the most important parts of having good rules to attract FDI inflow from other countries. Comi, Grasseni & Resmini (2021) looked at how making judicial efficiency faster and better in Italy can make companies from other countries want to invest there. They found that when judicial efficiency well, more foreign companies invest in Italy. In their comprehensive analysis, Ekhosa & Anyiwe (2016) delved into the regulations governing Foreign Direct Investment (FDI) in Nigeria. Utilizing a doctrinal approach, the study meticulously scrutinized the regulatory frameworks of various sectors within the Nigerian economy. Their findings underscored the necessity for a revision of existing laws in order to optimize the potential benefits of FDI across different sectors in Nigeria. Furthermore, Omodero (2019) conducted a thorough examination of the impact of corruption on Foreign Direct Investment (FDI) inflows within the Nigerian context. Through the utilization of the multiple regression Ordinary Least Squares (OLS) method spanning from 1996 to 2017, the study revealed a noteworthy and favorable relationship between corruption and FDI. In a study conducted by Idris, Matazu, & Umar (2019), the impact of judicial corruption on foreign direct investment and financial development in Nigeria was analyzed using Johansen's co-integration test and the Granger causality test spanning from 1980 to 2016. The results of the Granger causality test indicated a mutually influential relationship between judicial corruption and FDI.

6. Methods and findings

To accomplish its goals, the research utilized the Double log model to assess the impact of the Justice System on FDI. The Ordinary Least Square (OLS) regression analysis model was employed to examine the correlation between the Justice System and FDI. The study gathered secondary data from the World Bank Development Indicators (WDI, 2023) report and World Governance Indicator (WGI, 2023) report. The practical application of the model involved a macro-economic framework spanning from 1990 to 2022, encompassing a period of 33 years following the Washington Consensus.

6.1. Model specification

$$FDI_t = \beta_1 + \beta_2 RL_t + \beta_3 PS_t + \beta_4 CC_t + \beta_5 RQ_t + \beta_6 VA_t + \beta_7 GE_t + \mu_t \quad (1)$$

Where,

FDI = Foreign direct investment; RL = Rule of Law; PS = Political Stability; CC = Control of Corruption; RQ = Regulatory Quality; VA = Voice and Accountability; GE = Government Effectiveness; μ = Error term; β = Parameter to be estimated.

6.2. Diagnostic test

Unit Root Test

Dickey Fuller (1979) proposes the accompanying regression condition that will be utilized for testing for the nearness of the unit root.

$$\Delta y_{t-1} = \alpha_0 + \gamma y_{t-1} + \mu_t \quad . \quad . \quad . \quad (2)$$

Dicky and Fuller broadened their test method recommending an augmented version of the test which remembers extra lagged terms of the dependent variable for request to dispose of autocorrelation. The conceivable type of the ADF is given by the following equation.

$$\Delta y_t = a_0 + \lambda y_{t-1} + a_{2t} + \sum_{i=1}^{p} \beta_i \Delta y_{t-1} + \mu_t \quad (3)$$

Co-Integration Test

Johansen procedure will be used to test for co-integration among the variables; this verifies the existence of an underlying long-run stationary steady state relationship between the dependent and explanatory variables. Thus, the co-integrated equation is stated below as

$$Z_t = AZ_{t-1} + A_2 Z_{t-2} + AKZ_{k-1} + U_t \quad (4)$$

Findings

Unit Root Test

The essence of the ADF is to test the null hypothesis of unit root or non-stationary process. To reject this, the ADF statistics must be more negative than the critical value at 5% significance levels respectively.

Table 6.1.

Variables	ADF				
	Test Critical Value @ 5%	Level	1st Diff	Diff Prob	Order of Diff
FDI	-3.603202	-0.930995	-5.757569	0.0004	I(1)
RL	-3.632896	-5.555269		0.0010	I(0)
PS	-3.632896	-4.205678		0.0162	I(0)

CC	-3.658446	-4.920395		0.0044	I(0)
RQ	-3.632896	-1.760023	-4.338759	0.0123	I(1)
VA	-3.595026	-8.147400		0.0000	I(0)
GE	-3.595026	-7.252207		0.0000	I(0)

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The findings of the Augmented Dicky-Fuller test can be found in Table 5.1. The results of the unit root tests indicate that both foreign direct investment and regulatory quality exhibit a unit root when analyzed in their levels. However, when the series are differenced once, the null hypothesis of a unit root is strongly rejected, indicating that these series are integrated of order one (I(1)). On the other hand, the results for rule of law, political stability, control of corruption, voice and accountability, and government effectiveness in their levels suggest no presence of a unit root, as the null hypothesis is rejected. This suggests that these series are integrated of order zero (I(0)).

6.2. Johansen Co-integration Test

Table 6.2. Johansen Co-Integration Analysis

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.972238	211.5788	125.6154	0.0000
At most 1 *	0.804486	121.9768	95.75366	0.0003
At most 2 *	0.738650	81.17374	69.81889	0.0047
At most 3	0.624405	47.62637	47.85613	0.0525
At most 4	0.379963	23.14527	29.79707	0.2390
At most 5	0.301179	11.19585	15.49471	0.1998
At most 6	0.085588	2.236845	3.841466	0.1348

Trace test indicates 3 Co-integration equations at the 0.05 level.

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.972238	89.60200	46.23142	0.0000
At most 1 *	0.804486	40.80305	40.07757	0.0414

At most 2	0.738650	33.54737	33.87687	0.0547
At most 3	0.624405	24.48110	27.58434	0.1188
At most 4	0.379963	11.94941	21.13162	0.5527
At most 5	0.301179	8.959008	14.26460	0.2896
At most 6	0.085588	2.236845	3.841466	0.1348

The Max-Eigenvalue test also indicates 2 co-integrating equation at the 5% significance level. Therefore, this shows that there will be long run relationship among the variables.

6.3. Regression result

Table 6.3. Dependent variable: FDI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.655607	1.037454	0.631938	0.5346
RL	-4.570490	2.906415	-1.572552	0.1315
PS	-4.792337	1.005822	-4.764598	0.0001
CC	4.385136	3.716864	1.179795	0.2519
RQ	7.499977	2.046316	3.665112	0.0015
VA	-1.550100	1.616038	-0.959198	0.3489
GE	-0.272799	2.643138	-0.103210	0.9188
R-squared	0.767525	Mean dependent var		3.432593
Adjusted R-squared	0.697783	S.D. dependent var		2.699402
S.E. of regression	1.483978	Akaike info criterion		3.845743
Sum squared resid	44.04381	Schwarz criterion		4.181701
Log likelihood	-44.91754	Hannan-Quinn criter.		3.945641
F-statistic	11.00513	Durbin-Watson stat		1.927682
Prob(F-statistic)	0.000019			

According to the regression analysis presented in table 5.3, the results indicate that rule of law (RL), control of corruption (CC), voice and accountability (VA), and government effectiveness (GE) do not have a statistically significant impact on foreign direct investment (FDI). However, political stability (PS) and regulatory quality (RQ) do show a statistically significant relationship with FDI. Specifically, political stability has a negative effect on FDI, with a 4.79% decrease in FDI for every percentage change in political stability. On the other hand, regulatory quality has a positive effect on FDI, with a 7.5% increase in FDI for every percentage change in regulatory quality in Nigeria. These findings suggest that Nigeria may lack a robust justice system or experience delays in the justice system, which hinders the inflow of FDI into the country.

6.4. Discussion of findings

This study uncovers the challenges within Nigeria's justice delivery system and how it impacts the attraction of foreign direct investment. The research highlights the pervasive delays in the

justice system, which ultimately hinder the inflow of FDI to the country. The findings indicate that regulatory quality is the only institutional factor positively correlated with FDI, underscoring the deficiencies in Nigeria's justice system. Factors such as corruption, lack of rule of law, and political instability contribute to the crisis in justice delivery, further deterring foreign investors. While a robust justice system can enhance FDI in developed countries, in the case of Nigeria, it has the opposite effect. These results align with previous studies by Lee, Biglaiser & Staats (2014) and Ekhosa & Anyiwe (2016).

7. Conclusions and recommendations

The Nigerian economy slipped into a recession in 2016 but managed to recover by 2018. Currently, the nation is facing a critical need for investments, both domestically and internationally. However, the decreasing flow of Foreign Direct Investment (FDI) into the economy is a cause for concern.

The negative effects of the crisis in the justice delivery system on FDI inflows to Nigeria have been deliberated here, which also applies to similar countries in the developing economy category. What steps are necessary to address the issues in Nigeria's justice delivery system to instill confidence in investors?

Initially, it is crucial for the relevant authorities to comprehend the adverse effects of delayed justice delivery on investments from both internal and external sources. This is particularly significant as the country requires FDIs to help alleviate some of its pressing issues such as rising unemployment rates and sluggish technological advancements in certain sectors. Establishing or empowering an agency to address this issue is imperative.

Secondly, in order to increase foreign direct investment in Nigeria, it is imperative to elevate the standards of rule of law, government efficiency, and voice and accountability. This can be achieved by curbing corruption, enforcing government regulations diligently, and promoting transparency within the government.

Thirdly, there is an urgent need for reforms in the judicial sector to expedite the pace of justice delivery. Specialized courts with accelerated procedures for FDI-related cases or the implementation of fast-track processes in existing courts should be introduced promptly. This approach aligns with international best practices, as foreign investors seek environments where they can trust the legal system to provide timely justice for various types of cases as outlined by law.

Fourthly, it is imperative to not only implement reforms and enact laws, but also ensure their enforcement with visible evidence. Enhancing case management strategies to address infrastructural gaps is crucial, with specified turnaround times for different categories that must be strictly followed, along with consequences for non-compliance.

Finally, Nigeria should embrace a set of policies that attract FDI inflows. Despite progress in the ease of doing business, delays in justice delivery could hinder achievements in this regard.

Developing countries, including Nigeria, looking to attract more foreign direct investment in order to drive economic growth, would greatly benefit from embracing a more business-friendly approach. This transition has the potential to vastly improve the well-being of their populations, as historically, nations with pro-business economic systems have experienced higher standards of living. Therefore, it is imperative for developing nations seeking to attract more FDI to adopt liberal economic and political systems, such as democratic governance, that prioritize business interests and streamline legal processes.

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