

PORT FOLIO INVESTMENT AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT: *This study investigated foreign portfolio investment (FPI) and Nigerian Economic Growth From 1981 -2019. The ordinary least square using the statistical tools of E-view 10 was employ in analyzing the Data. The department variable in gross Domestic Product Proxies for economic growth while independent variables include portfolio investment, foreign direct investment. Exchange rate and unemployment rate. this data was source and obtained from CBN statistical bulletin 2020. Findings through the empirical investigation identified that identity that portfolio investment, exchange rate, and foreign direct investment have a significant impact on the growth on the Nigerian economy while unemployment rate is the variable which has a negative and insignificant impact on economic growth in Nigeria. The f- statistic result shows that all explanatory/independent variables specified in the model have significant effect on gross domestics product. The study therefore concluded that portfolio investment has a significant effect on economic growth in Nigeria considering the relative importance of portfolio investment to emerging market like Nigeria. Based on the finding, the study recommended that government should make favorable trade policies and investment conditions friendly in order to boost portlio investment in Nigeria*

Keyword: Portfolio Investment, Economic Growth, Nigeria.

INTRODUCTION

The structure of the Nigerian economy is said to be typical of an underdeveloped economy when compared to its peers. So blessed with enormous natural resources, it is apparent that the wealth of the nation has not been converted into a comparable improvement in the living standard of the populace nor attained optimal productive capacity which may be due to decades of economic mismanagement. It is believed attaining optimal productivity and improvement in the living standard of the populace can be achieved by boosting investments in the economy.

Investment is the loyalty of money or capital to purchase financial instruments and other assets in order to receive profitable returns in the form of interest as well as the positive reception of the value of the instruments. Most of the studies emphasized on the positive aspects of foreign capital on economic growth.. Foreign capital improves the

process of economic growth by tilling the gap between savings and investment. Foreign capital flows are divided into two types: foreign aid and foreign private, investment. Foreign private investment is the most important source of foreign capital. Foreign private investment s further divided into Foreign Portfolio Investment and Foreign Direct Investment.

Portfolio investment is a cluster of financial investment instruments. These financial instruments are easy to trade and are less eternal. These instruments are riot unavoidably a representation of long-run interest. It includes stocks, bonds, debt securities, dividends and mutual funds of different businesses from abroad and domestic. This type of investment gives the investors dividend payments, possible voting rights and ownership of a part of the company. This type of investment represents usually short-term interest as it is considered more volatile and uncertain.

These financial assets, Portfolio Investment, are highly liquid in nature and easy to convert into currency in any tine. Nigerian economic Crisis of 1997 occurred due to high volatility of Foreign Portfolio Investment. Large amount of assets have converted into cash at the time of financial crisis. Investors can sale their financial instruments from portfolios at any time, depends on investor's choice.

It is expected that portfolio investment will lead to a capital structure of firms in an economy by improving the managerial incentives and firm's value. When portfolio investment will rise, it will lead to improvement in an economy as it will improve opportunities of employment, business sector performance, per capita income, CDP growth, exchange rate stabilization, and ba1anc of payment improvement etc. Portfolio investment flows will also increase foreign reserves in a country with a positive impact on stabilization of exchange rate.

The Problem

The Nigerian economy has been struggling since the early 1990s at the inception of the economic Structural Adjustment Program (ESAP). Looking from an economic perspective, the total of all government efforts had not lea to meaningful progress. All efforts brought the economy to a crisis with adverse effects mostly felt from 2008 to 2010. During the period till date. Nigeria witnessed its currency failing to maintain its functions. Despite all this, investment had been flowing into the country. Nigeria as a country with hard working labor force, tried to invest the little they had, that is domestic private investment. The government also tried its best. more so, foreign investment has increase overtime. Taking into account economic theories; investment theories state that investment has a positive relationship with economic growth. So if investment was increasing, then economic growth would also have to increase. So, what went wrong in the processes which have brought up such results? In spite of these huge investments in Nigeria, the country still experience less growth and underdevelopment. This study intends to find out if a long run significant relationship exists between portfolio investment and economic growth in Nigeria.

The Objective

The broad objective of this study is to examine the relationship that exists between portfolio investment and economic growth in Nigeria. In specific term, it seeks to:

1. Examine the effect of portfolio investment on economic growth in Nigeria.
2. Determine the effect of foreign direct investment on the economic growth of Nigeria
3. Examine the impact of unemployment on the economic growth of Nigeria

Operational Hypotheses

Ho₁: There exists no significant effect of portfolio investment on Gross Domestic Product in Nigeria.

Ho₂: There exists no significant effect of foreign direct investment on Gross Domestic Product in Nigeria.

Ho₃: Unemployment has no significant effect on Gross Domestic Product in Nigeria.

Theoretical issues

a. The accelerator theory investment

Accelerator theory states that the level of investment depends on the rate of change income, and as a result tends to be subjected to substantial fluctuations. The theory relatively modest rise in national income can cause a much larger percentage rise It thus emphasizes the volatility of investment and how it can accentuate change basic principle is that when income and consumption increase, firms will need to new investment on top of their usual replacement investment (I_r) for machines out and have become obsolete.

b. Keynesian theory of investment

Theory sees investment decisions as being dependent on the differential of two rates rate of return generated by investing in a particular asset called marginal Lent (MEI) and the prevailing market rate of interest.

c. The Profits Theory of Investment

The profits theory regards profits, in particular undistributed profits, as a source of funds for financing investment. Investment depends on profits and profits, in turn, on income. In this theory, profits relate to the level of current profits and of the recent total income and total profits are high, the retained earnings of firms are also high, and Retained earnings are of great importance for small and large firms when the capital is imperfect because it is cheaper to use them.

d. The Endogenous Growth Theory

The Endogenous Growth Theory Explains the long-run growth rate of an economy on the endogenous factors as against exogenous factors of the neoclassical growth theory. The emphasis on endogenous factors as technical progress resulting from the rate of The size of the capital stock and the stock of the human capital.

e. Neoclassical Theory of Economic Growth

Neoclassical growth theory is an economic theory that outlines how a steady economic can be accomplished with the proper amounts of the three driving forces, labor, technology. The theory states that by varying the amounts of labor and capital in the function, an equilibrium state can be accomplished. The theory argues that cal change has a major influence on the economy, and that economic growth cannot without advances in technology. The theory starts by outlining the three factors for a growing economy, and it champions the idea that a temporary equilibrium and be achieved .with the right allocation mix of the three factors However, neoclassical make it clear that temporary equilibrium is different and from long- term which is achieved the without any of the three factors needed for short-term growth.

Furthermore, the neoclassical growth theory is based on the understanding that the accumulation of capital within an economy, and the ways in which people use that capital is for economic growth. However, the relationship between capital and labor of an determines its output. Finally, technology is thought to augment labor productivity in such a way that it increases the output capabilities of labor. Therefore, the production factors of neoclassical

growth theory is used to measure the growth and equilibrium of an economy and is as: $y(k, 1)$. Y denotes an economy's gross domestic product (GDP), ' k ' represents its capital, ' 1 ' describes the amount of unskilled labor in an economy; and ' A ' represents a level of technology. However, due to the relationship between labour and technology an economy's production function is often re-written as; $y = f(k, 1)$.

Increasing any of these inputs allows a person to see how it would affect the GDP, and the equilibrium of an economy. However, it is important to note that the three factors of Neoclassical growth theory are not all equal. The returns of both unskilled labour and capital on an economy are diminishing. That means that increase in these two inputs have exponentially decreasing returns. Technology, on the other hand, is boundless in the growth it can add and produce. If for example, an industrial economy relies on physical labour to produce will depend on the amount of jobs available and the amount of workers within the economy with technology, these caps are non-existent, and it is possible to realize exponentially and high equilibrium.

Empirical Work

Various studies have been offered on the effect of investment on economic growth. Major portion of these studies has been conducted internationally. Keeping in view the importance of portfolio, we present the review of significant studies.

The absolute advantage theory focused on increasing productivity through the division of labour and specialization, which enhanced greater productive efficiency. Profits from agriculture and industry would be saved and then invested leading to economic growth. Harrod and Domar Growth Model (1939 and 1946) in Meijerink and Roza (2007), focused on determining the rate of growth from one growth to another which is enough to maintain full employment. The model shows the importance of the rate of investment on economic growth.

Barro (1991) also pointed out that several factors influenced economic growth and that also included the ratio of investment. The results were supported by Martin (1997) who also gave growth of investment in addition to degree of economic openness and level of education as economic growth factors.

Duasa and Kassim (2009) examined foreign portfolio investment and economic growth in Malaysia. They analyzed causation between FPI and real GDP by using Granger causality test and Toda and Yamamoto's non-causality test. They used the same test for the volatility of FPI and real GDP also. Quarterly data from 1991-2006 has been used. They found that economic growth of Malaysia caused the FPI inflow but its volatility remained constant. But the volatility did not cause economic growth. Results showed that FPI and its volatility was not a vital factor the determination of economic presentation of Malaysia. Rather, they found that economic growth had highly significant impacts in determining the flows of FPI. They declared that the experience financial crisis during 1997 had clearly shown the lower FPI inflow and massive FPI low resulted from the anticipation of weaker economic performance due to the financial crisis.

Gozgor and Erzurumlu (2010) inspected the causal association among Foreign Direct investment and volatility of Portfolio Investment. They analyzed the economies of Czech Republic, Poland, Russia and Turkey. They used monthly and quarterly data set of considering countries' GARCH model was used to show the volatility of Portfolio Investment. They used Granger, Sims and Toda and Yamamoto test methods. They used monthly data from 2000 to 2009 for Turkey and Poland while quarterly data in the case of Czech Republic

and Russia from 1995-2009. Data has been obtained from central banks of related markets. They concluded that in case of Russia and Turkey, FDI had a significant cause on volatility of FPJ while no such causation has been found in case of Czech Republic and Poland. They supported the arguments that FDI was helpful in reducing the informational inefficiencies and raising the foreign investment in emerging markets.

Kaur and Dhillon (2010) examined the determinants of foreign institutional investor's investment in India by considering both financial and economic factors. They considered domestic country financial factors, foreign country financial factors, domestic country economic factors, and foreign country economic factors. Data provided the information about variables for the period from April 1995 to December 2006. Sources of data were RBI bulletin various issues, RBI hand book of statistics various issues and World Bank global development finance. They used Autoregressive Distributed Lag (ARDL) model by OLS method. They found that returns of Indian stock market had optimistic crash but US stock market return had no important impacts FHs investment in India". They concluded that stock market risk had negative and unconstructive impacts on FHs inflows, whereas market capitalization and stock turnover of India had positive influence only in short-run. They examined that economic growth of India.

Hasan and Nasir (2008) examined macroeconomic factors and equity prices with the help ARDL approach. They analyzed the long-run causal association between Pakistani capital market and major economic variables. They used month wise data for the period 1998-2008.

They used a set of macroeconomic variables such as Industrial Production Index (IPI), broad money (M2), Oil Prices (OP), foreign exchange rate (EXR), Inflation Rate (IR) and interest rate (r). Results showed that in the long-run Industrial Production (IP), OP and inflation were statistically unimportant while interest rates (r), EXR and money supply (M2) were statistically important for the determination of eq1ity prices. They also exhibited that statistically effects of Industrial Production, OP and inflation had no implication while changes in interest rates (r), exchange rate (EXR) and money supply (M2) were statistically important in the short-run. They analyzed that effects of FPI had been significant in shot-run bin not significant in long-run.

Furthermore, Tang, Seventh and Selvanathan (2008) investigated the causal link between foreign direct investment, domestic investment and economic growth for the period 1988-2003 in China, by applying a multivariate V1-.R system with error correction model (ECM). Their findings show that domestic investment and economic growth are positively correlated, as such great economic growth spurs large domestic investment and vice versa. By implication, it means China's domestic investment has a greater impact on growth than FDJ. They therefore recommend that, the country's precedence should be based on encouraging and promoting domestic savings for domestic investment than attracting FDL On the other hand, in the same study. Tang, Selvanathan and Selvanathan (2008) equally found that China's domestic investment and GDP do not have much impact on FDI inflows in the long run. Export has been considered as one of the important variables in determining economic growth.

METHOD OF STUDY

Research Design

In order to determine the effect of portfolio investment on economic growth in Nigeria, it is necessary to develop a model to analyze the correlation existing between the variables. In this regard, a multiple regression model is thus developed to determine the impact of portfolio investment on economic growth. In order to achieve the objectives of this study, the researcher employed the Ordinary Least Square (OLS) technique in estimating the relationship between the dependent variable (Economic Growth, proxied by RGDP) and the independent variables portfolio investment, foreign direct investment, and unemployment). The Ordinary Least Square (OLS) is selected because it is the Best Linear Unbiased Estimator (BLUE). It aims at determining and measuring the relationship between one variable and another or the impact of one variable on another, in which the variables involved are not manipulated by the research.

Types and Sources of Data

The data used for this research work were basically obtained from secondary sources. Secondary data were collected from authorized, designated, delegated and appropriate government agency such as the Central Bank of Nigeria (CBN) statistical bulletin (2018 edition).

Theoretical Framework

This study is anchored on the endogenous growth theory. This theory explains the long-run growth rate of an economy on the basis of endogenous factors as against exogenous factors of the neoclassical growth theory. The model lays emphasis on endogenous factors as technical progress resulting from the rate of investment the size of the capital stock and the stock of the human capital. Therefore this study is aimed at establishing the relationship between portfolio investment and economic growth in Nigeria.

The Model is Specified as follows:

$$RGDP = f(PI, FDI, UNR, EXR) \quad (1)$$

Where

RGDP= Real Gross Domestic Product (Dependent variable)

PI= Portfolio Investment (Independent variable) FDI=

Foreign Direct Investment (independent variable) UNR=

Unemployment Rate (independent variable) EXR= Exchange

rate (independent variable)

The mathematical form of the model is stated in equation 2 below:

$$RGDP_t = \beta_0 + \beta_1 PI_t + \beta_2 FDI_t - \beta_3 UNR_t + \beta_4 EXR_t \quad (2)$$

Where the variables are as defined in equation 1 above. The log form of the model is stated in equation 3 below:

$$\ln RGDP_t = \beta_0 + \beta_1 \ln PI_t + \beta_2 \ln FDI_t - \beta_3 \ln UNR_t + \beta_4 \ln EXR_t + U_t \quad (3)$$

A priori expectation: $\beta_1, \beta_2, \beta_4 > 0$. $\beta_3 < 0$;

Real Gross Domestic Product (RGDP): This is the monetary value of goods and services of a given country at a period of one year. It can be also be defined as the broadest quantitative measure of a nation's total economic activity. The reason for Real Gross Domestic Product (RGDP) in this model being the dependent variable is because, inflation has already captured in it.

Portfolio Investment (P1): Portfolio investments are investments in the form of a group of assets, including transactions in equity, securities, such as common stock, and debt

securities, such as banknotes, bonds, and debentures. Portfolio investment is important in this model for the fact that increase in portfolio investment will result to an increase in economic growth and a decrease in portfolio investment will also bring about a decrease in economic growth. Therefore, it is expected that portfolio investment contributes positively to the growth of the economy.

Foreign Direct Investment (FDI): A foreign direct investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. The Importance of foreign direct investment in this model is because it is one of the factors of economic growth.

Unemployment Rate (UNR): Unemployment occurs when a person who is actively searching employment is unable to find work. ... The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labor force. Its importance in this model lies on the fact that with an increase in employment rate, the economy is expected to rise. Therefore, unemployment theoretically has a negative impact on economic growth.

Exchange Rate (EXR): Exchange rate is the price of one currency in terms of another currency. Here, it is defined as the price of naira in terms of dollar.

Method of Analysis

The study employs the descriptive and econometric technique. Since the study makes use of time series data, some pre-test assessment will be carried out. For instance, the unit root test is important as it allows us to examine whether a time series data is stationary or not, to avoid spurious regression. The Ordinary Least Square technique will be useful for the analysis. Hence, for this study, there is need for all the results to be evaluated based on the economic a priori criteria, statistical criteria and econometric criteria.

Diagnostic test Unit Root Test

To check for unit root, we employed Augmented Dickey Fuller (ADF) test. Other tests to be conducted are; Durbin Watson test, student t-test, f-test etc.

DATA PRESENTATION AND ANALYSIS OF RESULT

In econometrics analysis, attempt is usually made in discovering and establishing existing relationship between the different economic variables involved in the analysis. To this effect, this session would serve as an attempt to evaluate the effect of portfolio investment on economic growth in Nigeria from 1981 to 2019. This session consists of the presentation of the data and analysis of the empirical results of the study.

Data Presentation

The data used in this study were sourced from the Central Bank of Nigeria's statistical bulletin on the following macroeconomic variables: real gross domestic product, portfolio investments, unemployment rate, exchange rate and foreign direct investment. This data is shown in table 4.1.1 as shown in appendix 1.

Data Analysis

Ordinary least square technique was adopted to examine the relative impact of portfolio investment and other relevant data presented in the table above on economic growth.

For RGDP Model

Ordinary Least Square (OLS) Result

Dependent Variable: LR GDP		
Method: Least Squares		

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Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	4.092379	1/447982.832493	1	0.0080
LPI	0.199888*	0.073950	2.703005	0.0110
LFDI	0.051975	0.052107	1.57320G	0.1258
LUNR	-3.152687	5.5415130.568921	-0.5749S	
LEXR	0.116465	0.027254	4.273344	0.0002
R-squared	0.798945	Mean dependent var	4.845103	
Adjusted R-squared	0.760032	S.D. dependent var	0.466573,	
S.E. of regression	0.228558	Akaike info criterion	0.050768	
Sum squared resid	1.619401	Schwarz"; criterion	0.352429	
Log likelihood	6.035406	Hanmn-Quinn enter.	0.158097	
F-statistic	20.53117	Durbiri-Wfuson stat	1.688131-	
Prob(F-statistic)	0.000000		1	

Source: Authors' Computation Using E-Wejvs 10 Outputs.

Analysts of Result Based on Ordinary Least Square

From the regression analysis computed with the aid of E-view 10, by prediction equation of real gross domestic product, portfolio investment, foreign direct investment, unemployment rate and exchange rate is.

$$LRGDP = 4.092379 + 0.199888LPI + 0.081975LFDI - 3.152687LUNR + 0.116465LEXR$$

The value of the intercept is 4.092379". This shows that the real gross domestic product is 4.092379 units when all other variables arc held constant.

The sign and value of foreign portfolio investment is 0.199888. It conforms to a priori expectation. This implies that a one per cent increase in portfolio investment will leads to 19.98 per cent increase in economic growth.

The sign and value of LFDI is 0.081975. It conforms to a priori expectation. This implies that a one per cent increase in foreign direct investment will lead to about 81.98 per cent increase than the t-tabulated (i.e. 2.703005 > ±2.042), thus, we conclude that portfolio investment is significant in explaining changes in the dependent variable.

The t-calculated value of foreign direct investment is 1.573206 which is less than the t-tabulated value of ±2.042 means that foreign direct investment is not significant in explaining changes, in the dependent variable. Also, Unemployment rate is also not significant in explaining Justices in economic growth since its t-calculated value -0.568921 is less than the t-tabulated value is ±2.042

Finally, exchange rate is statistically significant since the T-calculated value of 4.273344 is greater than their T-tabulated, that is, ± 2.037; this implies that exchange rate is statistically significant in explaining changes in the dependent variable,

F -test

The F-statistics test the overall significance of the model. The F-statistic calculated value of 20.53117 is greater than the critical value of 2.92 at 5 per cent level of significance. It means that the explanatory variables have joint impact on the dependent variable.

Decision Rule

Reject H_0 if $F\text{-calculated} > F\text{-tabulated}$, otherwise accept.
Thus, $F\text{-tabulated} = F_{\alpha}(k-1)(n-1)$
 α = level of significance = 0.05
 N = sample size = 39
 K = number of parameters = 6
 DF = V_i / V_j

Where:

DF = Degree of Freedom
 V_1 = $K-1 = 6-1 = 5$
 V_2 = $N-k = 39-5 = 33$

Using F - Distribution Table;

F-Tabulated = 2.33

F-Calculated = 20.53117

Since, $F\text{-cal} > F\text{-tal}$ (that is $20.53117 > 2.33$) we reject the null hypothesis and concluded that the variables used in the model are statistically significant. This is because our F-calculated is greater than the F-tabulated based on our decision **rule**.

Coefficient of Determination (R^2)

The coefficient of determination value (R^2) which shows the explanatory power of the model is 0.798945, the model has a good fit and it implies that about, 79 per cent of the total variation in the dependent variable is explained by the independent variables. The remaining 25 per cent can be accounted for by the error term, that is, all other explanatory variables not captured in the model.

Analysis of Result Based on Econometric Criterion Auto Correlation

This is aimed to ascertain if the error terms are correlated. To do this, we assume that the values of the random variable are temporary independent by employing the technique of Durbin- Watson (DW) statistics

Decision Rule

f.dw < dl. reject Ho (positive autocorrelation)

f. dw > 4 - dl, reject Ho (negative autocorrelation)

If. $du < dw < 4 - du$ accept Ho (no autocorrelation)

If. $dl < dw < du$ reject Ho (test is inconclusive)

If. $4 - du < dw < 4 - dl$ reject Ho (inconclusive)

Where dl = Lower Limit

du = Upper Limit

dw = Durbin - Watson statistic at 5% level of significant

From our regression result presented in Table 4.5;

N = 38 (number of observation)

K = 7 (number of explanatory variables)

Reading from Durbin - Watson table, at 0.05 level of significant

dl = ! .088

du = 1.939

DW = 1.688131

Compatibility: $dl < dw < du$ (i.e. $1.088 < 1.688131 < 1.939$)

Conclusion: Based on our decision rule, we reject the null hypothesis and concluded that test is inconclusive since we cannot predict whether there is present of positive or negative autocorrelation in the model.

Hypothesis Testing

In this case, the hypothesis stated in chapter one of this study, is tested in this section. The hypotheses are outlined below:

Ho₁: portfolio investment has no significant impact on economic growth in Nigeria in the period under study

Ho₂: foreign direct investment does not significantly impact on economic growth in the period.

The hypothesis stated above will be tested using the Student T-test. In testing hypothesis one. The T-calculated is greater than the T-tabulated {i.e. $2.70305 > 2.037$ }, thus, we reject the null hypothesis and concluded that there is positive and significant relationship between portfolio investment and economic growth in Nigeria from 1981 to 2019.

For hypothesis two. foreign direct investment's t-calculated is 1,573206 and this is less than the t-tabulated value of 2.042. Therefore, the null hypothesis is accepted and we conclude foreign direct investment has no positive impact on economic growth in Nigeria.

For hypothesis three; the null hypothesis is accepted since the t-calculated value of unemployment is less than the t- tabulated (i.e. $-0.565921 < 2.042$). Thus, we conclude that unemployment has no significant impact on economic growth in Nigeria. 4.4

DISCUSSION OF RESULTS

From the results obtained the empirical investigation revealed that the portfolio investment has a positive significant impact on the economic growth of Nigeria. This result is consistent with apriori expectation which held that portfolio investment overtime influences the output positively, This implies that as portfolio investment increases, it will lead to an increase in economic growth in Nigeria. This result is in line with the study of Barro (1991) who concluded that portfolio investment has a positive and significant impact on economic growth in Nigeria.

Furthermore, foreign direct investment has a positive impact on economic growth. It conforms to apriori expectation. This implies that an increase in **foreign** direct investment will lead to an increase in economic growth in the period under study. However, from the t-statistics. **it** was found that foreign direct investment is not significant in explaining changes in the dependent variable

More so, the foreign exchange rate has significant and positive relationship with economic growth of Nigeria in the period under study. This implies that as Nigeria exchange rate appreciates. Economic growth will increase. This is so because over the years, the Nigerian economy has experienced growth in her RGDP which has strengthened her exchange rate thus, giving foreign investors' confidence in investing in the country.

The F-statistic calculated value of 20.53117 is greater than the critical value of 2.92 at 5 per cent level of significance. This means that the explanatory variables have joint impact on the dependent variable. The coefficient of determination (R²) of 79 per cent shows that government expenditure on agriculture has a positive significant impact on agricultural output, while the remaining 21 per cent are explain by variables not capture in the model but are taken care of by the error term during the period under study.

SUMMARY OF THE MAJOR FINDING, CONCLUSION AND RECOMMENDATIONS

Summary of the Major Finding

The study examines the impact of portfolio investment on economic growth in Nigeria from 1981 to 2019.

The ordinary least square (OLS) techniques was employed to determine the relative impact of portfolio investment on economic growth and the result revealed that portfolio investment conform to the apriori expectation and also statistically significant in explaining the changes in economic growth in Nigeria. In the same vain, foreign direct investment conform to apriori expectation since the regression result appears positive, however from the t-statistics test, foreign direct investment is not significant in explaining changes in the dependent variable. Exchange rate and unemployment rate returns positive and negative respectively.

The broad objective of the study was to examine the impact of portfolio investment on the economic growth of Nigeria. The regression result revealed that portfolio investment has a positive significant impact on economic growth in Nigeria from 1981 to 2019 In order to achieve the specific objectives of this study, the hypothesis stated in chapter one was brought into test using the student T-test. For hypothesis one, the null hypothesis was rejected and concluded that portfolio investment has a positive significant impact on economic growth in Nigeria. While the null hypothesis in hypothesis two was Accepted, thus; foreign direct investment does not impact significantly on the economic growth of Nigeria in the period under study.

The R² in the model shows the goodness of fit indicating that portfolio investment account for 79 per cent changes in economic growth in Nigeria. The F-test shows that the

explanatory variables used in the study were statistical insignificant in explaining the change in economic growth. The Durbin-Watson result revealed that the test was inconclusive.

CONCLUSION

This study has been able to establish the fact that Nigerian economy growth is endogenous. The findings through the empirical investigation identified that portfolio investment has significant effect on the growth of the Nigerian economy, exchange rate also has a positive and significant effect on economic growth in Nigeria. The study therefore concluded that portfolio investment has a significant effect on growth of economic growth in Nigeria considering the relative importance of portfolio investment to an emerging market like Nigeria. Thus, this study has been able to establish that domestic resources are fundamental to the growth of the economy while taking into strong cognizance, the supplementary role of investments

RECOMMENDATIONS

Based on the findings, the study recommends that:

- i. Government should make favorable trade policies and investment conditions friendlier in order to boost portfolio investment in Nigeria.
- ii. Consumer price index or inflation rate as the case may be should not increase but must be kept at a single digit in order to encourage domestic and foreign investors.
- iii. The Nigerian capital market is to engage in reforms especially in the area of investors' protection, infrastructural development, and accounting disclosure requirements. In addition, the current stride in liberalization should be sustained.
- iv. The monetary authority should formulate and implement favorable exchange rate policies in order to facilitate export growth in the economy.
- v. Government and monetary authorities should develop economic and financial policies that will stimulate other sectors of the Nigerian economy like agriculture by increasing budgetary allocation to these potential growth sectors as well as sectorial allocation of bank credit to growth potential sectors of the Nigerian economy.

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Appendix i;Presentation of Data

Year	RCDP iW-Billioiil	,PTI (S* 1 ?OI (& Billio.i) Billon/	UNR (%)	EXR per US Dollar)	
1981	15258	3.73	0.59	3.7	0.62
1982	14985.08	2.64	0.79	3.7	0.67
1983	13849.73	2.39	0.94	3.9	0.72
1984	13779.26	0.68	1.05	4.2	0.77
1985	14953.91	0.91	1.31	4.5	0.89
1986	15237.99	1.12	1.83	4.8	1.75
1987	15263.93	2.21	2.84	5.1	4.02
1988	16215.37	2.21	3.07	5.1	4.54
1989	17294.68	4.08	3.47	5.4	7.36
1990	19305.63	3.75	4.22	5.6	8.04
1991	19199.06	3.36	5.01	5.9	9.91
1993	19620.19	20.14	10.75	6.2	17.3
1994	9927.99	28.28	17.76	6.2	22.07
1995	19979.12	44.66	25.28	6.2	22
1996	20353.2	119.42	33.26	6.3	21.9
1997	21177.92	171.67	27.94	6.9	21.88
1998	21789.1	203.75	27.18	4.6	21.89
1999	22332.87	382.9	31.05	5.2	21.89
2000	22449.42	117.85	41.03	5.9	92.34
2001	23688.28	267.3	55.85	6.7	101.7
2002	25267.54	225.32	59.85	6.8	111.23
2003	28957.71	105.52	62.10	6.9	120.58
2004	31709.45	178.98	67.74	6.9	129.22
2005	35020.55	281.36	48.56	7	132.22
2006	37474.95	280.13	49.39	7.1	131.27
2007	39995.5	390.86	149.58	7.1	128.65
2008	42922.41	569.69	106.35	7.2	125.81
2009	46012.52	528.49	135.70	7.2	118.55
2010	49856.1	440.42	128.41	7.2	148.9
2011	54612.26	427.60	255.21	7.3	150.3
2012	57571.04	352.20	316.36	7.3	153.86
2013	59929.89	545.20	343.70	7.6	157.5
2014	63218.72	430.15	478.91	7.1	157.31
2015	67152.79	390.02	449.3.1	4.8	158.55
2016	69023.9	315.25	525.95	4.3	192.44
2017	67931.24	592.75	503.08	<	153.49
2018	68490.98	786.45	556.67	8.3	305.79
2019	71387.8	772.8	548.08	9.6	363.00

Appendix I: Presentation of Data