Trends, Behavioral Patterns and Growth Implications of Foreign Private Capital Flows in Nigeria

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This paper is a contribution to the often-debated role of foreign capital flows into economies of developing countries. This paper examines the magnitude and impact of foreign private capital flows on economic performance in Nigeria. Previous theoretical and empirical studies on this issue provided conflicting results. Secondary data on some relevant financial and macroeconomic indicators were collected from 1986 to 2006. Descriptive statistics, Pairwise Granger-Causality test and Ordinary Least Squares (OLS) regressions were used to analyze the interaction between indices like the degree of openness, domestic investment, portfolio equity investment, Foreign Direct Investment (FDI), and economic growth. The study found out that the economy is largely driven by domestic investment. Also, there is a positive relationship between index of openness, foreign private capital flow, proxied by FDI and equity or portfolio investment and GDP during the period under review. The major policy recommendation that emerges from this study is the need to put in place the policies that would promote stable and conducive macroeconomic environment, which would encourage foreign capital inflows into the economy of Nigeria.