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The Relationship between Foreign Portfolio Investment, Foreign Direct Investment and Economic Performance of Nigerian Economy: (1980-2017): An Empirical Analysis

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Abstract

The study examined the impact of foreign portfolio investment and Foreign Direct Investment on the performance of the Nigerian Economy over a period of 1980-2017. The data used were purely secondary sourced from the central Bank of Nigeria statistical Bulletin and World Bank Development indicator. The ordinary least square (OLS) regression analysis was used. The findings revealed that the performance of the Nigerian Economy is directly related to inflow of foreign portfolio investment and foreign direct investment and it is also statistically significant at 5% level. This means that a good performance of the economy depends on the inflow of these variables, or that the variables serve as an engine of economic growth. The study therefore recommends that policy makers should work on improvement of economic incentives capable of mobilizing external resources to the country to engender macroeconomic stability. A stable economy will attract foreign investment and this result to increased inflow of foreign capital.

Keywords: FPI, Investment, Gross Domestic Product, Unemployment, Empirical Analysis.

1.0 Introduction

One of the most salient features of today's globalization drives is the conscious effort of the government to encourage cross border investments. Developing countries now see attracting foreign portfolio investment as an important strategy for improving their economic wellbeing. This is probably because foreign portfolio investment is believed to be sources of capital inflow that will assist the country in its effort to economic development. Unfortunately, the efforts of most countries in Africa to attract foreign portfolio investors have been unfruitful. The development in worrisome thus sending very little hope for economic development.

However, Nigeria as a country, given her natural resources base and large market size qualities to be a major recipient of foreign portfolio investment in Africa. Evidence abounds that the level of foreign investment is grossly inadequate. The empirical linkage between foreign portfolio investment (FPI) and economic growth in Nigeria is not clear, despite the series of studies that have examined the influence of foreign portfolio investment on Nigeria's economic growth with varying outcomes (Anyanale,2007). Asiedu (2001) submits that the relationship between foreign Direct Investments in one region may not be the same for other regions. The result of studies carried out on the relationship between foreign portfolio investment and economic growth are not unanimous, this has led to the arguments that external financing is inevitable for the sustained growth of countries like Nigeria. The main arguments in this direction are that if these countries gain access to world financial markets and other donor countries, financing the saving-investment gap would be overcome by financing domestic investment out of the savings from high-income countries. These capital imports can take the form of concessional lending abroad.

1.1 Foreign Direct Investment (FDI) inflows, Portfolio investment by foreigners (Eastevly, 1999)

Furthermore, the key component of the movement towards economic globalization by the world economy is

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foreign capital flows. The need for foreign capital to complement domestic resources in the economic growth process has been welcomed as a catalyst of development since it is considered as a central element of the process of economic growth. Its origin is immaterial. In the face of resources deficiency in financing long term development, the capital deficient economies have heavily resorted to foreign capital as the primary means to achieve economic growth.

Unfortunately, the growth experience of many of the economies has not been very satisfactory. Hence, they accumulate huge external debt with the gross domestic product and faced with serious debt serving problems in terms of foreign exchange flow and also walloping in abject poverty. Conversely, the experience of a small number of fast-growing East-Asian newly industrialized nations have strengthened the belief that foreign capital is the central element of the process of economic development since it could bridge the resources gap of these economies (Prasad et al., 2007)

According to Aremu (1997), Nigeria is one of the developing countries of the world that has not been able to find a lasting solution to her macroeconomic problems. Many measures have been adopted by past and present government to tackle these macroeconomic problems. One of such measure in the attraction of external resources to help boost or facilitate the elimination or reduction of macroeconomic problems. This s because recent studies have shown that external resources inflows are needed to bridge the saving-investment gap in Nigeria and most countries of Africa. Before the 1970s, external resources were not regarded as a potential instrument of economic development.

The relationship between external resources (FDI) and economic growth has continued to generate a series of debate among scholars. Notwithstanding, the government of Nigeria has continued over the years to put effective policies in place that will attract foreign capital to boost the Nigerian economy by using such finance to reduce or eliminate the major macroeconomic problems. More especially fiscal policy measures that work through manipulation of subsidies tax holidays, exchange rates, borrowing to finance deficit have been often deplored by successive governments. They have adopted discretionary and non-discretionary policies to manipulate the economy to attract more foreign capital into the economy of Nigeria, but the result is far-fetched. That is why this study has become necessary.

The study is justified because it will provide an insight into the effectiveness and utilization of external resource (FDI) in achieving macroeconomic goals of the nation. Given the assumed potential of FDI in improving economic growth in developing countries, what is the experience of Nigeria in this regard? This is the question that this paper seeks to answer.

However, this paper which looks at the impact of FPI on economic growth in Nigeria will be organized as flows- section 2 reviews some related literature on FDI and economic growth. Section 3 introduces the model used in the analysis. Section 4 discuss the empirical results, while section 5 summaries the main findings and the conclusion.

2.0 Review of related literature

Foreign Portfolio Investment refers to investment in different bundles or form of assets. Carkovic and Levin (2002) noted that the economic rationale for offering special incentives to attract foreign portfolio investment (FP)I frequently derive from the belief that foreign portfolio investment produces externalities in the form of technology transfers and spillovers. The empirical evidence of these benefits both at the firm level and at the national level remains ambiguous. FPI may bring in technologies and knowledge that ate not readily available to a country and thus may increase the productivity of a country. DeGregorio (2003) in his study found out that increasing aggregate investment percentage point of GDP and increased FPI is associated with higher economic growth in some countries.

2.1 Theoretical Framework

Foreign portfolio investment is an investment in different bundles of forms of assets in another country. In the view of classical and neo-classical economists, economic growth depends on the supply of capital as well as

labor and technology. Developing countries like Nigeria face acute capital shortages that limit investment and therefore growth (Saggi 2002). This gap can be balanced with the inflow of funds from foreign countries in the form of FDI and FPI.

According to Aremu (2005), dependency theory maintains that developing countries are poor because they have been systematically exploited through imperial neglect, over-dependence upon primary products as exports to developed countries, Foreign investor's malpractices which crowds-out domestic firms. The theorists have also focused on how FDI and FPI of the Multinational Corporations distort developing nation's economy. It is also argued that FDI and FPI do not produce beneficial results on the developing economies.

Given Ekine et al. (2017), every economy does not spend all her national income, the part must be saved for future investment. It follows then that any net addition to the capital stock in the form of new investment will bring about a corresponding increase in national output. They relied on the Harrold-Domar model in explaining this scenario because the model describes the economic mechanism by which more investment leads to more growth. The Harold-Domar model suggests that it is an important ingredient for the growth of third world countries to save a portion of their income to accumulate capital for accelerated economic growth and development.

Otepola (2002) examined the importance of Direct Foreign Investment and Foreign Portfolio Investment in Nigeria. He focused on the impact of these variables on growth and concluded that both contribute significantly to growth. He, therefore, recommended a mixture of practical government policies to attract these variables to the priority sector of the economy. Zhang (2001) in his study argued that both variables have a positive growth impact on the economy. He opined that via technology transfer and spillover efficiency, the inflow of the variables might be able to stimulate a country's economic performance.

2.2 Empirical Review

The relationship between Direct Foreign Investment through Portfolio Investment and economic growth has long been a subject of discussion in economic literature. Lall (2002) investigated the effect of capital flows on economic growth using time series data for twenty years and concluded that external resources inflow affects many factors in the economy and these factors, in turn, affect economic growth. This review shows that the debate on the impact of foreign capital inflows (external resources) on economic growth is far from being conclusive; the role of external resources seems to be country-specific and can be positive, negative or insignificant, depending on the economic, institutional and technological conditions of the recipient countries.

Solomon and Eka (2013) investigated the empirical relationship between Foreign Direct Investment, Foreign portfolio investment and economic growth in Nigeria for a period covering 1981-2009 using annual data from the Central Bank of Nigeria Statistical Bulletin. They used a growth model i.e. the ordinary least square method to ascertain the relationship between the variables and economic growth in Nigeria. The OLS result indicated that the variables have a positive but insignificant impact on Nigerian economic growth for the period under study.

Recent studies on external resources and economic performance in Nigeria and other countries provided inconclusive evidence and mixed results. Uwubanmwen and Ogiemudia (2016) examined the effect of foreign Direct Investment and Foreign Portfolio Investment on the economic growth of Nigeria using annual series data covering the period 1979 to 2013. They analyzed the data using the Error Correction Model. The results revealed that the variables have both short and long time lag effect on the Nigerian economy but have a non-significant negative effect on the Nigerian economy in the long run.

Muntah et al., (2015) studied the impact of external resources on the economic growth of Pakistan covering the period 1995 to 2011 using regression analysis. They found that external resources especially FDI impacts Positively on the economic growth of Pakistan.

Alejandro (2010) explained that external resources play an extraordinary and growing role in global business and economics. It can provide a firm with new markets, cheaper production facilities, access to new technology, skills, and financing host country.

Nwankwo et al., (2013) investigated the impact of globalization on Foreign Direct Investment and Foreign Portfolio Investment (FDI) using secondary data. They found out that both variables have been increased benefit to Nigeria in the area of employment, technology transfer, encouragement of local enterprises tec. Adelgan (2000) also explored the seemingly unrelated regression model to examine the impact of external resources on the economic growth of Nigeria and found out that FDI and FPI are pro-consumption and pro-import and are negatively related to gross domestic investment

Nkoro and Furo (2012) examined the impact of Foreign Capital inflows on economic growth in Nigeria using cointegration variance decomposition, impulse response, and block exogeniety tests. The result of the co-integration revealed that a causal relationship exists between the foreign capital inflows and economic growth in Nigeria.

Nkoro and Uko (2013) evaluated the nature of causality between foreign capital inflows and real economic growth in Nigeria. The result of the variance decomposition agreed with that of cointegration analysis of causality which revealed that causality runs from Foreign direct investment, (FDI) Foreign portfolio investment (FDI) to real GDP.

The result of Dausa (2007) using GARCH and pairwise Granger causality test on the stability of GDP revealed that there is no strong causal relationship between FDI, FPI and economic growth respectively. However, it was observed that foreign direct investment (FPI) flows contributes negligibly to the instability of economic growth and vice versa. Hence, it was concluded that FDI and FPI dos, not granger cause economic growth although it does provide stability on it.

Using data from several investors' surveys, the study of Asiedu (2002) suggest that macroeconomic instability, investment restrictions, corruption, and political instability harm foreign capital inflows (FCI) to Africa using time services data covering the period 1970-2003.

3.0 Data and Methodology

This research work is conducted using econometric analysis. Ordinary least square (ORS) estimation technique was used in carrying out the analysis. The quasi-experimental research design was adopted because the data for the study were mainly secondary. Because foreign direct investment and foreign portfolio investment are not only the determinant of the growth of an economy, we included in the model such independent variables that are germane to economic growth depending on the availability of data.

3.1 Model Specification

The position of Anyanwale (2007); Lull (2002); Nkoro and Uko (2013) and Alejandro (2010) were followed in the formulation of the empirical model for this study in trying to capture the effect of foreign portfolio investment and foreign direct investment on the performance of Nigerian Economy between 1980-2017. These authors whose works were reviewed provided the framework for selecting variables in the study. The study adopted two ARDL models to capture the impact of external resources on macroeconomic performance. In model 1 real GDP was used as the dependent variables while foreign direct investment (FDI) per capital GDP (PCG) and foreign reserve build-up (FRV) served as the forecast variables in model 2. This implies that the underlying measures of FDI, FPI ODA, PCG are the explanatory variable in each of the models. The ARDL configurations are of the form:

$$RGDP_t = Z_0 + \sum_{t=1}^{a} Z_1 \Delta GDP_{t-1} + \sum_{t=1}^{a} Z_2 \Delta FDI_{t-1} + \sum_{t=1}^{a} Z_3 \Delta ODA_{t-1} + U_t \quad (1)$$

$$RGDP_t = Z_0 + \sum_{t=1}^{a} Z_1 \Delta FPI_{t-1} + \sum_{t=1}^{a} Z_2 \Delta ODA_{t-1} + \sum_{t=1}^{a} Z_3 \Delta PCG_{t-1} + U_t \quad (2)$$

Where Z_0 denotes the drift

Z_1-Z_3 -short run dynamic coefficients of the explanatory variables
U_t -Stochastic Error Term
Δ -First Difference Operator
α -order of lag

RGDP =Real Gross Domestic Product
GDP   =Per Capita Gross Domestic Product
FDI   =Foreign Direct Investment
ODA   =Official Development Assistance
PCG   =Per Capita Gross Domestic Product

The a priori expectation provides expected sign and significance of the values of the coefficient of the parameters under study on the part of the empirical evidence and theoretical assertions. All the selected indicators are theoretically expected t contribute the economic performance of the Nigerian nation positively. The expected signs of the coefficients are expressed as follow:

$$Z_0 > 0, Z_1 > 0, Z_2 > 0 \text{ and } Z_3 > 0 \qquad (3)$$

Estimation Techniques

The normal distribution of the residuals was verified using the normality test. The Jarque-Bera Statistic was specifically applied in testing the null hypothesis that the errors are normally distributed against the alternative hypothesis that they are not normally distributed. The JB statistic measures the difference of the skewness and kurtosis of the series with those from the normal distribution using this formula:

$$JB = n\left[\frac{S^2}{6} + \frac{(K-3)^2}{24}\right] \qquad (4)$$

Where n = sample size
    S = Skewness
    K = Kurtosis

If JB statistic JB critical value, the null hypothesis that the residuals are normally distributed cannot be rejected. The estimated parameters are subjected to evaluation by using the student T-statistic test and F-statistic test while the overall stability of the variables in the model is tested using multiple coefficients of determination R^2, adjusted R^2, and Durbin-Watson test.

3.2 Study Hypothesis

The hypothesis to be tested is in the null form thus. Thus
Ho1: foreign portfolio investment (FPI) does not statistically impact on Nigeria economic growth
HO2: Foreign Direct Investment (FDI) does not significantly impact on the performance of Nigeria's economy.

4.0 Data Presentation, Results and Discussion
4.1 Data Presentation

The time series data on real GDP, per capital Gross Domestic Product (PCG) foreign Direct Investment, Foreign Portfolio Investment, Official Development Assistance employed I the model are presented in table 1.

Table1. RGDP, PCE, FDI, FPI and ODA inflows between 1980 and 2017

YEAR	RGDP N' Billion	PCG N' Thousand	FRV Current US$	FDI Current US$	FPI Current US$	ODA Current US$	TCG Current US$
1981	15,258.00	248688	4168453297	542327289.1	201,712,103	39250000	45910000
1982	14,985.08	239747	1926433882	430611256.5	219,431,900	34950000	41610000
1983	13,849.73	221940	1251986645	364434580.2	361,989,100	46750000	44150000
1984	13,779.26	212022	1674113909	189164784.9	401,812,100	32390000	38230000
1985	14,953.91	223857	1891868246	485581320.9	876,060,300	31710000	39600000
1986	15,237.99	199012	1349903025	193,214,907.50	86,633,230	58120000	46480000
1987	15,263.93	173012	1497832059	610,552,091.50	1,084,153,000	67620000	52350000

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1988	16,215.37	181230	932989777	378,667,097.70	575,715,100	118080000	63590000
1989	17,294.68	187975	2041078372	1,884,249,739	219,831,400	344000000	67620000
1990	19,305.63	206575	4128789621	587,882,970.60	197,148,100	255080000	90580000
1991	19,199.06	200139	4678023330	712,373,362.50	61,109,600	258320000	91380000
1992	19,620.19	196002	1196052750	896,641,282.50	1,884,268,000	258820000	95500000
1993	19,927.99	195153	1640443739	1,345,368,587	17,780,310	288420000	96040000
1994	19,979.12	192080	1649172399	1,959,219,858	27,141,300	189660000	77390000
1995	20,353.20	186781	1709113524	1,079,271,551	25,583,640	210960000	77770000
1996	21,177.92	191289	4329391830	1,593,459,222	54,088,510	188750000	82460000
1997	21,789.10	191816	7781250308	1,539,445,718	20,321,020	199840000	82510000
1998	22,332.87	192179	7298545697	1,051,326,217	2,363,116	203340000	50720000
1999	22,449.41	188331	5649725440	1,004,916,719	11,013,870	151990000	43100000
2000	23,688.28	193442	10099448198	1,140,137,660	502,264,900	173800000	68930000
2001	25,267.54	196966	10646598366	1,190,632,024	831,771,600	167820000	87990000
2002	28,957.71	199332	7566806238	1,874,042,130	133,938,000	299550000	137110000
2003	31,709.45	214461	7415087386	2,005,390,033	182,894,100	309850000	166320000
2004	35,020.55	279564	17256543970	1,874,033,035	177,818,900	578770000	244220000
2005	37,474.95	281813	28632051719	4,982,533,943	487,949,800	6.402E+09	204200000
2006	39,995.50	297095	42735469033	4,854,416,867	1,288,019,000	1.143E+10	316850000
2007	42,922.41	309139	51907034587	6,034,971,231	799,673,000	1.959E+09	161960000
2008	46,012.52	319934	53599283557	8,196,606,673	3,402,404,000	1.294E+09	201020000
2009	49,856.10	333135	45509822740	8,554,840,769	345,254,700	1.639E+09	203430000
2010	54,612.26	349792	35884925669	6,026,232,041	2,586,444,000	2.052E+09	198140000
2011	57,511.04	357204	36263658533	8,841,113,287	3,540,339,000	1.768E+09	268040000
2012	59,929.89	362648	47548404717	7,069,934,205	14,992,460,000	1.914E+09	315280000
2013	63,218.72	372130	46254765031	5,562,873,606	10,320,960,000	2.516E+09	358420000
2014	67,152.79	385228	37497241208	4,655,849,170	1,828,705,000	2.479E+09	376740000
2015	69,023.93	385142	31334501876	3,128,591,679	876,754,500	2.432E+09	351400000
2016	67,931.24	369404	38362169372	4448730000	1,704,851,000	2.475E+09	36218666
2017	68,490.98	379925	35731304152	4,077,723,616	1,470,103,500	2.462E+09	25486222

4.2 Data Analysis

Table 2a: Result of the Unit Root Test for RGDP, FDI, PCG and ODA (Model 1)

Dependent variable	Explanatory variables		Summary of the Results			
	Constant		R	R^2	F.S	D.W
RGDP	4.8405	FDI	0.0682	0.0408	2.4904	2.9716
	-0.109917	PCG	0.0017	0.0277	0.0564	1.5102
	0.1339	ODA	0.5069	0.4751	15.9349	1.8325

Source: Author's computation using data collected from CBN Bulletin and World Bank Development indicator

Table 2b: Result of Unit Root Test for RGDP, FPI, ODA and PCG for Model 2

Dependent variable	Explanatory variables	Summary of the Results				
	Constant		R	R²	F.S	D.W
RGDP	0.074939	FDI	0.6687	0.6587	66.6226	2.1148
	1.6144	ODA	0.2257	0.1483	2.9142	1.8164
	0.0104	PCE	0.61038	0.3809	20.3089	1.9914

Source: Author's computation using data collected from CBN Bullabin and World Bank Development indicators.

4.3 Discussion of Results

The result in table 2a shows that there is a slightly positive relationship between the dependent variable RGDP and the independent variable (FDI). This implies that a naira increase in FDI will cause real GDP to increase by N2.81k. The coefficient of determination (R) 0 0.068(6.8%) shows that there is an insignificant positive relationship between the dependent variable (RGDP) and the independent variable (FDI). R-square adjusted (R2) of 0.0408 implied that 4 percent of variables in REDP can be accounted for by FDI while leaving the remaining 96% variations to be explained by other exogenous variables.

Table 2b results depict that there is a positive relationship between the dependent variable (RGDP) and the explanatory variable (FPI). This relationship shows that a naira change in FPI has a direct but significant change in RGDP. This implies that one Naira increase in FPI will cause RGDP to increase by N74. The coefficient of variation (R) 0.6681 (66.8%) shows a strong relationship between RGDP and FPI while (R2) reveals that 65.8% of the variations in RGDP can be explained by FPI leaving 34.2% to other variables outside the model. This confirms the strong relationship between the models

4.3.1 Unit Root Test

The test for unit root was performed at 5% level of significance using ADF and Philip-Perron methods. For each of the test method, the series was subjected to levels and first difference test. Table 3 presents the result of the ADF unit root test.

Table 3: ADF Unit Root Tests Results for the Series

Test at Levels	Variable	t-statistic	P-value	Order of Integration
	LOG(RGP)	0.032	0.955	NS
	LOG(PCG)	0.237	0.971	NS
	LOG(FRV)	-0.713	0.831	NS
	LOG(FDI)	-1.578	0.483	NS
	LOG(FPI)	-2.659	0.091	NS
	LOG(ODA)	-1.122	0.696	NS
	LOG(TCG)	-1.512	0.516	NS
Test at First Difference	Variable	t-statistic	P-value	Order of Integration
	ΔLOG(RGP)	-3.339	0.021**	I(1)
	ΔLOG(PCG)	-4.507	0.001***	I(1)
	ΔLOG(FRV)	-5.455	0.000***	I(1)
	ΔLOG(FDI)		0.000***	I(1)
	ΔLOG(FPI)	-8.162	0.000***	I(1)
	ΔLOG(ODA)	-5.483	0.000***	I(1)
	ΔLOG(TCG)	-5.044	0.000***	I(1)

Sources: Author's Calculation from data collected from CBN statistical Bulletin and World Bank Development Indicators

NB: *** and ** denote rejection of the null hypothesis of the unit at 1 percent level and 5 percent level respectively whereas Δ and NS respectively imply first difference notation and nonstationary at levels

The results show that none of the variables is stationary at levels given that the probability values of their respective t-statistic are greater than 0.05. Based on these findings, the variables were subjected to first difference test and the result showed that all are stationary at first difference. Hence they are regarded as 1(1). The outcome of the ADF Unit Root Test was verified by subjecting the variables to another test for stationary using the Phillips-Perron method as reported in table 4 below.

Table 4: Phillips-Perron Unit Root Test Results for the Series

Test at Levels	Variable	Adjusted t-statistic	P-value	Order of Integration
	LOG(RGP)	-0.576	0.864	NS
	LOG(PCG)	0.208	0.969	NS
	LOG(FRV)	-0.725	0.828	NS
	LOG(FDI)	-1.599	0.473	NS
	LOG(FPI)	-2.661	0.091	NS
	LOG(ODA)	-1.325	0.608	NS
	LOG(TCG)	-1.521	0.512	NS
Test at First Difference	**Variable**	**Adjusted t-statistic**	**P-value**	**Order of Integration**
	ΔLOG(RGP)	-3.413	0.017**	I(1)
	ΔLOG(PCG)	-4.533	0.001***	I(1)
	ΔLOG(FRV)	-5.525	0.000***	I(1)
	ΔLOG(FDI)	-10.892	0.000***	I(1)
	ΔLOG(FPI)	-8.162	0.000***	I(1)
	ΔLOG(ODA)	-5.682	0.000***	I(1)
	ΔLOG(TCG)	-5.048	0.000***	I(1)

Source: Author's calculation from data collected form CBN Bulletin and World Bank Development Indicators.

NB: *** and ** denote rejection of null hypothesis of unit at 1 percent level and 5 percent level respectively whereas Δ and NS respectively imply first difference notation and nonstationary at levels.

The ADF and Phillips-Perron test reveals that the variables are all integrated at order one 1(1). This implies that the null hypothesis at the unit root cannot be rejected for each of the series at 5 percent level. To further determine whether the series has a long relationship, the cointegration test was carried out.

4.3.2 Co-Integration Test

The bounds test approach to cointegration was carried out at 5 percent level of significance using ARDL approach. The test result for model 1 shows that the variables are cointegrated given that the calculated F-statistic (5.61) is greater than the upper critical bound value (4.57). Hence, the indicators of external resources included in the model are found to have a long-run relationship. Hence, the indicators of external resources included in the model are found to have a long-run relationship with real GDP. The variables in model 2 were also subjected to the cointegration test as shown in table 5.

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Table 5: Cointegration Test Result for Model 2

Series: LOG(PCG) LOG(FPI) LOG(ODA)		
Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	k
F-statistic	6.682244	3
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	3.03	4.06
5%	3.47	4.57
2.5%	3.89	5.07
1%	4.4	5.72

Source: Author's calculations from data collected from Central Bank of Nigeria Bulletin and World Development Indicators

NB: K denotes number of explanatory variables in the model

It was observed from the result that long run nexus exists between external resources measures and per capita GDP. This is because the computed F-statistic (6.68) is greater than the upper bound critical value (4.57). This implies that the variables tend to move together in the long run. The outcomes of the cointegration test for each of the models authenticate the postulation of Johansen and Juselius (1988) that linear combinations of non-stationary series tend to lead to the long-run relationship among them.

5.0 Conclusion and Recommendation

From the above analysis, it is clear that there is a positive relationship between FPI, FDI and the performance of the Nigerian economy(RGDP).The result was positive but statistically insignificant. The insignificant relationship could be as a result of insufficient FPI and FDI fund invested in the Nigerian economy which has not been able to significantly impact on the economy. The result of the study shows that inflows of external resources to some extent help to mitigate macroeconomic shocks by fostering both short and long term growth. Hence the study recommends that policymakers should focus on the improvement of economic incentives capable of mobilizing external resources to Nigeria to engender macroeconomic stability. Furthermore, government at both central and state level should improve on the ease of doing business with donor nations to enhance foreign capital inflow stimulate economic growth of the nation.

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