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Impact of foreign private investment on the Nigerian economy

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Abstract
This paper studies the impact of foreign private investment on the Nigerian economy, based on empirical investigation using quarterly time series data from 1981Q1 to 2018Q4. The time series properties of the data were examined, using unit root test, co-integration test and error correction modelling method. All variables used were found to be co-integrated and the ECM was statistically significant at the 5% level. The coefficient of the ECM which indicates the speed of adjustment in the short-run disequilibrium is adjusted at a very low level per period, the empirical results obtained were highly significant, while the adjusted coefficient of multiple determination systematically explained the fact that foreign private investment is highly needed in less developing economies especially the Sub-Saharan Africa, Nigeria in particular to boost the growth in economic development. The empirical findings have implications for policy, these include the need to encourage better macroeconomic environment. Fiscal, monetary and exchange rate policies, property rights protection, strong, financial sector should be supported and sustained by government. Infrastructure facilities, that is, social and economic should be provided by the government, while corruption level should be checked in order to attract the needed foreign private investment to the Nigerian economy.

Keywords: foreign private investment, Nigerian economy, co integration approach

1. Introduction

The basic issue of improving capital as a means for economic development is not too recent to developing economies in the sub-Saharan African especially Nigeria. The basic reason behind the failure of the first National Development plan in Nigeria was caused by inadequate funds of which large sum was expected from advanced countries in the form of aids and capital inflow. This issue of foreign private investment (foreign investment) simply put, capital inflow in development cannot be over-emphasized, Odozi (1995) [37], opined that foreign direct investment is a form of lending or finance in area of equity participation. It generally involves the transfer of resources, including capital, technology, and management and marketing expertise. Such resources usually extend the production capabilities of the recipient country.

Foreign private investment can make significant contributions to the host country economic growth and development, if well managed by the government. It has the potential to address developing countries constraints of low level of domestic investment and foreign exchange shortages, inflows of foreign investment bring in foreign exchange supplement domestic savings and raise the level of investment (Obadan, 2004) [35].

Foreign private investment has both benefits and costs. Therefore, a crucial challenge for economic policy makers is how to promote foreign investment inflow while minimizing the costs, the benefits derivable form proper and well managed foreign investment are; economic growth, employment, technology, stimulating additional domestic investment, enhancement of balance of payments, and external economies; it has become very important and imperative for the sub-Saharan African countries (Nigeria), to create the right investment climate. Investment is the main engine of growth in any economy. According to Scott (1997) [44] as cited by Obadan (2004) [35] that "a foreign investor is not a philanthropist, he is a businessman with obligation to his shareholders to obtain the best returns on any investment on their behalf. He will therefore, look for certain factors to enable him make his investment decision. He would favour the country with the most congenital overall enabling environment in both the social and political and business sense.

Obadan (2004) [35], foreign private investment flow to Nigeria comprise portfolio investment and foreign direct investment; portfolio investment and foreign direct investment are both capital flows. But while the purpose of foreign direct investment is to acquire a lasting interest and effective control in the management of an enterprise, portfolio investment is made solely for the purpose of dividend, capital gain or earning interest.

Some other benefits might also accrue from increased foreign investment. These include the creation or rather expansion of local industries to supply in puts to the newly established plant; a rise in the overall of domestic demand to boost incomes and through taxation, state revenues and the transference of labour, skills and technology. Although United Nations conference on Trade and Development (UNCTAD), World Investment Report, 2004 reported that Africa's outlook for Foreign Private Investment (FPI) is promising, the expected surge is yet to manifest private foreign investment is still concentrated in only a few countries for many reasons, ranging from negative image of the region, to poor infrastructure, corruption and foreign exchange shortages, an unfriendly macroeconomic policy environment, among others.

Nigeria is one of the few countries that have benefited from

foreign private investment (PFI) inflow to Africa. Nigeria's share of foreign private investment (FPI) inflow to Africa averaged around 10 percent from 24.19 percent in 1990 to a level of 5.88 percent in 2001 up to 11.65% in 2001 and 2008 and 20.40 percent in 2004, 18.35 percent 2008 and 20.40 percent in 2010. The nominal FPI inflow ranged from 128.6 million in 1980 to 434.1 million in 1995 and 115.932 billion in 2000. This was an increase in real terms from the decline of the 1980's. FPI form a small percentage of the nation's gross domestic product, however making up 2.47% in 1970, -0.81% in 1980, 6.24% in 1989 and 3.93% in 2002, 4.80 in 2005 (Central Bank of Nigeria (CBN), 2006). According to World Bank development indicators (2019), foreign direct investment, net inflow
(% GDP) in 1970 was 1.634%, -1.151% in 1980, 1.088% in 1990, 1.642% in 2000, 1.658% in 2010 and 0.931% in 2017. The GDP growth (annual %) in 1960 was -0.19%, 25% in 1970, 4.2% in 1980, 11.8% in 1990, 5.01% in 2000, 8.0% in 2010, 2.65 in 2015 and 1.94% in 2018. Also the unemployment rates for different period were revealed; it was 9.13% in 1994, 8.9% in 2000, 8.8% in 2006, 9.7% in 2010, 16.3% and 19.7% in 2018. Bureau of Economic Analysis (2018) indicated that the United States of America (USA) has the largest amount of foreign direct investment (FDI) in the world. The flow of FDI in 2013 was $ 201,393, $201733 in 2014, $476,625 in 2015, $471,792 in 2016 and stock in US economy is greater than $1 billion.

Of late, Nigeria has embarked upon several trade liberalization policies so as to rely very much on inflow of financial resources from outside in various forms official and private capital flows as well as direct foreign investment, as a means of speeding up their economic development (Olaniyi, 1988; Odozi, 1995; Ekpo, 1997; Uremadu, 2006, Adegbite & Owuallah, 2007) [39, 37. 20, 49, 1]. However, some countries have shown preference for direct foreign investment because they regard direct foreign investment as a means of counter acting the sluggish trend in official and private portfolio capital flows. The impact of foreign private investment on the Nigerian economy can be positive, negative or insignificant, depending on the economic, institutional and technological conditions in the recipient countries, but in our own case, there is no concord on the impact of FPI on the economic growth.

Nigeria needs a massive inflow of foreign investment (private foreign investment) in order to transform her economy, to upgrade dilapidated infrastructure and "plug" on the electronic age of computers and the interest. An absolute pre conditions for success is the design and implementation of policies and measures that would have the policy environment investment more friendlily (Iyoha, 2000) [29].

United Nations Conference on Trade and Development (UNCTAD, 2018) [48] reported that many countries continued policy efforts aimed at attracting foreign direct investment. In 2017, 65 countries and economies adopted at least 126 investment policy measures, of which 84% were found favourable to investors. The report also indicated that there is the need to have modern industrial policies to contribute to a sustainable development strategy, policy makers need to enhance their coherence and synergy with national and international investment policies and other policy need such as social and environmental policies and the need for safety in term of security.

This paper attempts to examine empirically the impact of foreign private investment on the Nigerian economy within a period of 1981Q1 to 2018Q4. The gaps in the available literature as identified in this paper is that most of the empirical study were based on annual data, hence, this paper employed the use of quarterly data with respect to Nigeria. The paper is divided into different sections, following this introductory sections is section 2, the review of related literature, section 3, is methodology and empirical results, section 4 is policy implications, conclusion and recommendations.

2. Literature Review

A lending proponent of the economic approach to the impact of foreign private investment is found in Dunning (1973) [19] and Chete (1998) [16]. On the strength of studies by scholars based on international production, they identified three sets of influences on foreign private investment to include the following

a. Market Factors: such as the size and growth of the market measured by the gross national product (GNP) of the recipient country;
b. Cost Factors: such as the availability of labour, low labour costs and inflation;
c. The investment climate as measure by the degree of foreign indebtedness and the state of the balance of payment.

According to Agarwal (1980) [4] he classifies the impact of foreign private investments using two political factors of political sterilization in conjunction with a variety of economic factors, such as investment incentives, the size and growth of the recipient's market, its degree of economic development proxied by infrastructure market distance and economic stability in terms of inflation, growth and balance of payments. In his extensive survey of the literature on the determinants of foreign private investment, he finds evidence with respect to the impact of political instability.

French & Poterba (1991) [23], they identified the home bias puzzle. They noted the low proportion of foreign portfolio investment compared with the optional levels suggested by the trade-off between risk and return. Investors seem to totally or partly ignore the benefits associated with the diversification of the sources, as may be achieved through a wiser geographical coverage. As emphasized by Rogoff (2000), a possible explanation for home bias is the existence of various forms of transaction costs for cross border purchases and sales of financial instruments.

Oyaide (1977) [42] and Anyanwu (1998) [9] identified change in domestic investment change in domestic output or market size, indigenization policy, and change in openness of the economy as a major determinant of foreign private investment. Adelegan (2000) [3] explored the seemingly unrelated regression model to examine the impact of foreign private investment (FPI) on economic growth in Nigeria and found out that FPI is pro-consumption and pro-import and negatively related to gross domestic investment.

Obadan (2000) [33], Iyoha (1998) [28], and Ekpo (1997) [20] did

studies on the various factors determining foreign private investment in Nigeria. But Akanji (1999) [6] opined that a healthy business environment is a prerequisite for a sustained increase in private investment in Nigeria, the business environment encompasses the degree of certainty about government policies, the quality and sophistication of the legal and regulatory framework, the condition of physical infrastructure and the efficiency of labour and financial markets.

But Serven & Solimano (1992) [45] in their influential study on the relationship between private investment and macro-economic adjustment, agreed that monetary, fiscal, and exchange rate politics directed at correcting macro-economic imbalances would have a salutary effect on private capital flows.

On the other hand Pfefferman & Madarassy (1992) [43], said that the quality of institutions would significantly affect private foreign investment exhibits the issue of liberal, open and export-oriented tendencies will favour convertible currency, privatisation that attract foreign private investors into the Nigerian economy.

Weitz & Lijane (1998) [50] identifies the "push" factors as globalisation, financial integration and technological innovation and the "pull factors are large market size and high per capita income, economic, political and social stability; favourable investment. Climate, liberalized trade and financial regime; and active privatization policy when suck factors are available in a given economy will help to attract the needed foreign investors.

Finally according to UNCTAD (1998) [46] identified a comprehensive list of factors/variables which attract foreign private investors in form of FDI flows to host countries, the variables identified by the UNCTAD world investment report in 1998 and policy environment especially economic political and social stability; privatisation policy; trade policy; and tax policy, and business facilitations variables such as investment promotion; investment incentives; hassle costs; social amenities and after-investment services.

The benefits of foreign private investment include transfer of technology, higher production by higher incomes, more revenue for government through taxes, enhancement of balance of payments ability, employment generation, diversification of the industrial base and expansion, modernization and development of related industries. Feldstem (2000), first, international flows of capital reduce the risk faced by owners of capital by allowing them to diversify their lending and investment. Second, the global integration of capital markets can contribute to the spread of best practices in corporate governance, accounting rules and legal traditions. Third, the global mobility of governments to purse bad policies. Four, investment through FDI allow for the transfer of technology-particularly in the form of new varieties of capital inputs-that cannot be achieved through financial investment or trade in goods and services. Foreign investment through FDI can also promote competition in the domestic input market. Five, recipients of FDI often gain employee training in the course of operating the new businesses, which contributes to human development in the host country. Finally, profits generated by foreign investments especially FPI contribute to corporate tax revenues in the host country.

But the arguments against foreign private investment (FPI) are that it may result in capital flight which may lead to net capital outflow and create balance of payment difficulties, it also creates income distribution problems when it composes with home investment. FPI may also actually be capital intensive, which may not fit in the factor proportions of the recipient country. Since the 1980s, flows of investment have increased dramatically the world over. Despite the increased flow of investment to developing countries especially sub-Saharan Africa countries are still characterized by low per-capita, high unemployment rates and low and falling growth rates of GDP, problems which foreign private investment are theoretically supposed to solve.

In the developed world, it is agreed that foreign private investment generally play a positive role in the economy, although it varies from country to country and depends on country characteristics, policy environment and sectors. According to Blomstrom & Kokko (1997) [12] reviewed the empirical evidence on host country effects of foreign direct investment. They conclude that MNCs may play an important role for productivity and expert growth in their host countries, but that the exact nature of the impact of FDI varies between industries and countries, depending on county a characteristics and the policy environment. Alfaro (2003) [7] in an empirical analysis using cross-country data for the period 1981-1999 suggests that total FDI exerts an ambiguous effect on growth. From the results foreign direct investment in primary sector tend to have a negative effect on growth, while investment in manufacturing a positive one, while evidence from the service sector is ambiguous.

Mishara & Mody (2001) [31] observed that foreign private investment has been associated with higher growth in some advanced countries. Within the LDCs however, foreign private investment associated with high incidence of crisis. Aremu (1997) [10] submitted that Foreign Private Investment (FPI) accelerate the pace of economic development of the LDCs up to a point where a satisfactory rate of growth can be achieved on a self-sustaining basis. He observes that the main responsibility of foreign private investment, in LDCs is to raise standard of living of its people so as to enable them move from economic stagnation to self-sustaining economic growth.

In Africa, foreign private investment has been found to enhance economic growth although it crowds out domestic investment; Fedderke & Romm (2005) [21] were concerned with the growth impact and the determinants of foreign direct investment in South Africa. Their estimation is in terms of a standard spill-over model of investment and in terms of a new model of location choice in FDI between domestic and foreign alternatives. They found complimentarily of foreign and domestic capital in the long run, implying a positive technological spill over from foreign to domestic capital. While there is a crowd out of domestic investment form foreign direct investment, this impact is restricts to the short run.

Ayashagba & Abachi (2002) [11] using Nigerian data carried out an empirical investigation on the effects of foreign direct investment on economic growth with a time frame from 1980 to 1997. The result presented showed that foreign direct investment had significant impact on economic growth in

Nigeria. Hamza (2017) [25] indicated that foreign direct investment had an important positive effort on the Nigerian economy within the timeframe of 1990-2012 in terms of technology and technical know-how that are beneficial to local firms of the host country.

Hassan (2017) [26], his study revealed that purchasing power, Human capital and Trade openings as key determinants of inward FDI inflows for growth and development in the Middle East region within the time frame of 1981-2015. It also indicated that FDI in the Middle East region was lowest when compared to other countries around the world based on the 9 countries employed from the region.

Okafor, Ugwuegbe, Ugochukwu & Chijindu (2016) [38], foreign capital inflows and Nigerian economic growth nexus (1981-2014), the Toda Yamamoto test of causality was employed to determine the link between foreign capital inflow and economic growth in Nigeria. The empirical results indicated a bidirectional causality running from GDP to FDI as well as from FDI to GDP. Also there was a unidirectional causality between FPI and GDP. The study therefore suggested that government should design policies and programs to enhance the inflows of foreign capital in order to accelerate the needed speed required for increased economic growth in Nigeria.

Adekunle & Sulaimon (2018) [2] a re-examination of the relationship between foreign capital flows and economic growth in Nigeria (1986-2015). Their study revealed that there exist linear and non-linear relationship between foreign capital flows and economic growth in Nigeria within the timeframe of the study. The study recommended that policy makers should encourage the inflow of capital that is beneficial to the country by stimulating domestic investment and economic growth.

Danmola & Olateju (2017) [18] the impact of foreign direct investment on the Nigerian manufacturing sector. The policy implication of the study is to maintain a sustainable economic growth and development, they emphasized that a positive direct domestic investment is a pre-condition for increasing the flow of foreign investment in the manufacturing sector. Hence, the Nigerian government is expected to continue to encourage inward FDI especially in the manufacturing sector.

Ituma (2015) [27] foreign private investment and the Nigerian economic growth (1980-2013). The error correction model result revealed a long-run relationship between real GDP and other variables used in the model. The study recommended that government should put in more efforts and policies geared towards an increase in foreign private investment in Nigeria, by keeping interest rate and inflation rate at lower minimum rate and to have a stable exchange rate in order to achieve an increased growth rate.

Osinubi & Amaghionyeodiwe (2010) [41] their study covered a period of 1970-2005 in Nigeria, their findings revealed that foreign private investment (FPI), domestic investment growth, net export growth and the lagged error term were found to be statistically significant in explaining economic growth in Nigeria within the timeframe of the study. They suggested that the issues of FPI should not be ignored by economic policy makers in order to have a suitable economic development in Nigeria. Amassoma & Ogbuagu (2015) [8] foreign direct investment, private investment and public investment in Nigeria. This study used a multivariate VAR model and the empirical results indicated that there is no long-run relationship between FDI, public and private investment within the period of the study. They recommended that the government should make the environment conducive for domestic investment to thrive which will go a long way to stimulate the foreign investors.

Nwakoby & Alajekwu (2016) [32] effect of private sector investment on economic growth in Nigeria within the timeframe of 1986-2014, their empirical findings revealed that there is a unidirectional causal relationship from domestic private sector investment to gross domestic product. Also the granger causality test indicated that there is unidirectional causality running from gross domestic product, foreign private investment, exchange rate, interest rate and inflation rate. Hence, the study suggested that in order to boost economic growth in Nigeria more emphasis should be on private investment in terms of domestic and foreign investments.

Carbonell &Werner (2018) [14] does foreign direct investment generate economic growth? The study covered a period of 1984-2010 for Spain, although the empirical results was found to be robust and clear but the favourable Spanish circumstances yielded no evidence for foreign direct investment to stimulate economic growth. The results also further revealed that the Spanish EU and euro entry had no positive effect on economic growth within the period. The study therefore suggested a fundamental rethinking of methodology in economics with regard to Spain.

Ajayi, Adejaya & Obalade (2017) [5] impact of foreign private investment on the development of Nigerian capital market (1986-2013), the study indicated that there is a positive and significant impact on national capital market due to the influence of FDI including that of foreign portfolio investment on the Nigerian economy. Hence, it is encouraged to have a continuous inflow of both forms of investment in Nigeria.

Chigbu, Ubah & Chigbu (2015) [17] impact of capital inflows on economic growth of developing countries (1986-2012) using Nigeria, Ghana and India as a case study. The findings indicated that capital inflows had great influence on economic growth on these three countries, however, Nigeria and Ghana were observed to have positive and significant impact on their economic growth variable by FDI and foreign portfolio investment.

3. Methodology and Empirical Results

3.1 The Model

The methodology for this study was adopted from Iyoha (1998 & 2000) [28, 29] Obwona (2001) [36], Lim (2001), Orji & Mba (2010) and Osinubi & Amaghioyeodiwe (2010) [11] with some modifications. The function form of the model is stated as:

$$RGDP = F[FPI, DIGR, OPN, INF, EXR, INV]. \quad (3.1)$$

We therefore, present the following model equations as stated below.

$$RGDP_t = \alpha_0 + \alpha_1 FPI_t + \alpha_2 DIGR_t + \alpha_3 OPN_t + \alpha_4 INF_t + \alpha_5 EXR_t + \alpha_6 INV_t + U_t. \quad (3.2)$$

Where: RGDP = Real Gross Domestic Product
FPI = Foreign Private Investment Inflow
DIGR = Domestic Investment Growth Rate

$$OPN = OPenness\left[\frac{Exports + \text{Im}\, ports}{GDP}\right]$$

INF = Inflation Rate
EXR = Exchange Rate
INV = Gross Fixed Capital Formation (proxy for investment)
U_t = Error term (Stochastic error term)

The above equation was estimated using the ordinary least square (OLS) method. And in doing this some test were carried out, this tests include unit root tests, co-integration and error correction model analysis. Other diagnostic tools of analysis like the R-squared, R-bar squared, statistical test for significance (t and f tests) and DW (Durbin Watson) tests were used to interpret the results. Secondary quarterly data for the period 1981Q1 to 2018Q4 was used for the study and this was found through the publications of the central bank of Nigeria (the statistical bulletins of various issues).

3.2 Empirical Results

3.2.1 Augmented dickey-fuller (ADF) test for unit root

The ADF test was done with the following hypothesis:

a) Null hypothesis (H_0): Variable contains unit root and hence is non-stationary.
b) Alternative hypothesis (H_1): Variable does not contain unit root and hence is stationary

The decision rule was: if the calculated ADF test statistic is greater than the 95% critical value for the ADF statistic, we reject the null hypothesis of non-stationarity and accept the alternative of stationarity, otherwise accept the null hypothesis of non stationarity.

The results for the Augmented Dickey-Fuller Test for Unit Root of variables with an intercept and a linear trend are presented below in Table 1.

Table 1: Unit Root Test Results

Variables	ADF test statistic	95% Critical value for the ADF statistic
OPN	-4.20*	-2.89
EXR	-0.062	-2.89
FPI	-1.064	-2.89
INV	-3.00*	-2.89
RGDP	-5.69*	-2.89
INF	-3.33*	-2.89
DIGR	3.30*	-2.89

Source: Author's compilation (2018) * Stationary at 5% level of significance

These results above show that EXR and FPI were found to be non-stationary at 5% level of significance while the other variables of OPN, INV, RGDP, DIGR and INF were found to be significance at the 5% level and are stationary. Since there exist a non-stationary time series among our variables, we went further to carry out co-integration tests to ensure that though there is a non-stationary time series, the variables have a long run or equilibrium between them that is the variables are co-integrated.

3.2.2 Co-Integration Tests

Theoretically, it is expected that a regression involving non-stationary time series may produce spurious results, co-integration tests prove that the combinations of stationary and non-stationary variables has a long-run relationship. In this study the Johansson test for co-integration and the ADF Unit Root Test on the residuals were used.

Table 2: Unit root test for residuals based on an intercept and a linear trend

Variable	ADF	Critical Value
ECV	-9.572*	-2.89

Source: Author's compilation (2018) * Stationary at 5% level of significance

The result of the residuals was found to be stationary. Since the ADF value of -9.572 is greater than the critical value of ADF of the 5% level. Which also indicated that it does not contain a unit root; this implies the residuals are stationary, leading us to conclude that the variables are co-integrated. Therefore, based on both tests, it can be concluded that the included variables are co-integrated. This implies that although there is the presence of two non-stationary time series among them, there is a long-run equilibrium relationship between them. Given this conclusion a parsimonious error correction model can be used to explain the relationship between the variables.

3.2.3 Parsimonious Error Correction Model

The origin model in our equation one is:

$$RGDP_t = \alpha_0 + \alpha_1 FPI_t + \alpha_2 DIGR_t + \alpha_3 OPN_t + \alpha_4 INF_t + \alpha_5 EXR_t + \alpha_6 INV_t + U_t \quad (3.2)$$

Therefore the parsimonious error correction model is given as:

$$RGDP_t = \alpha_0 + \alpha_1 DFPI_t + \alpha_2 DDIGR_t + \alpha_3 DOPN_t + - \alpha_4 DINF_t + \alpha_5 DEXR_t + \alpha_6 DINV_t + ECM(-1) + U_t. \quad (3.3)$$

Where
D = first difference operator
ECM (-1) = Lagged equilibrium error term
U_t = error term
a_o = Coefficient intercept

$\alpha_0 \ldots\ldots\ldots\ldots \alpha_6$ are parameters

3.2.4 Dynamics

Hence we employed the use of an over parameterized Auto-Regressive Distributed lag Estates (ARDE) selected based on Akaike information criterion. The results are stated in table 3 below

Table 3: Over parameterized Auto-Regressive Distributed Lag (ARDL) Estimates. Dependent variable is RGDP. 148 Observations used for estimation from 1981Q1 to 2018Q4.

Regressor	Coefficient	t-Statistic	Prob. Value
RGDP (-1)	0.334	2.914*	0.004
FPI	0.497	1.786**	0.009
DIGR	0.291	2.142*	0.003
OPN	3.163	3.237*	0.000
INF	0.334	2.426*	0.002
EXR	0.340	2.118*	0.003
INV	-0.944	-4.085*	0.001
R-Squared = 0.83			
Adjusted R-Squared =0.73			
Durbin–Watson (DW) = 2.05			
F-stat.(6,111) =367.3 (0.000)			

Source: Author's compilation (2018) * Stationary at 5% level of significance ** Stationary at 10% level of significance

Table 3 shows the results of auto-regressive distributed lag estimate. The results showed that the various independent variables were able to explain the systematic variations of the dependent. This assertion is affirmed by the R-Squared of 83% and 73% respectively, which are a reflection of the importance and statistical significance of the various explanatory variables. In addition, all the explanatory variables had their apriori expectation signs except that of investment (Gross fixed capital formation variable). All the explanatory variables were found to be statistically significant at 5% level and FPI at 10% level. In generally the model demonstrates a good fit as reflected by the F-statistic value that found to be statistical significant at the 5% level and the DW statistic of 2.05 which indicates the absence of serial auto correlation problem.

Table 4: Error Correction Model Dependent Variable is dRGDP. 146 observations used for estimation from 1981Q3 to 2018Q4.

Variable	Coefficient	t-Statistic	Prob. Value
dFPI	4.02	4.840*	0.000
dDIGR	3.21	2.410*	0.005
dOPN	1.500	3.380*	0.004
dINF	-1.691	-2.418*	0.002
dEXR	18.94	3.260*	0.005
dINV	5.04	2.833*	0.001
ECM(-1)	-1.752	-9.473*	0.000
R-Squared = 0.91			
Adjusted R-Squared =0.89			
F-stat. (6,111) = 4.252 (0.000)			
Durbin–Watson (DW) = 2.10			

Source: Author's compilation (2018) * Stationary at 5% level of significance

The results of the above table 4 for error correction model indicated that changes in RGDP depend on the change of the various explanatory variables and also in the equilibrium error term. The regression result revealed that ECM value is -9.473 which is negative and highly significant hence, the negative value supports our earlier findings of the co-integrating relationship between the variables. The coefficient indicates speed of adjustment of -1.752 which is relatively high. This implies that following short-run disequilibrium, 17.5% of the adjustment to the long run takes place within one period. The coefficient of determination relating to the goodness of fit, measured by R^2 indicates that 91% of the systematic variations in RGDR are explained by the independent variables during the period of the study. The F-value statistic of 4.252 with a corresponding low probability of 0.000 is a clear indication that the model is well specified. The DW statistic of 2.10 indicates the absence of serial auto-correlation problem.

4. Policy Implications, Conclusion and Recommendations

4.1 Policy Implications

Based on the regression results of the estimated model, it was revealed that private foreign investment is positively related to economic growth in Nigeria based on our error correction model estimates, which confirmed the hypothesis that foreign private investment is highly important for fast and great economic growth rate. The issue of openness of the economy is also very important model to attract the need foreign investors and specialization of the Nigerian economy into different sectors. Since foreign private investment, which comprises foreign direct investment (investment in real assets) and foreign portfolio investment (investment in financial asserts) augments domestic resources of any economy and enhances the economic development of the country. Foreign direct investment has been acknowledged as a major propellant of growth through transfer of technology, technological innovations, and other externalities.

Investment is of strategic importance to the development of any economy especially foreign private investment that would help boost the long run growth of the economy especially economic growth and development that comes through build-up of capital, quantitative and qualitative increase of employment and enhancement in the techniques of production in general. All these and more are the benefits that Nigeria could derived through the presence of foreign private investment especially when the right macroeconomic and political policies are well implemented.

4.2 Conclusion and Recommendations

In conclusion, we have observed that investment is the main engine of growth of any economy, the significance of investment cannot be over-emphasised. As opined by Giwa (1997) [24], investment to "a depressed economy in just like blood transfusion in an anaemic patient". Foreign private

investment is the most desirable form of development financing in Sub-Saharan economies. Therefore, there is need to support foreign private investors activities in the Nigerian economy because of its strategic consequence since it would help to boost the long run drive of real Gross Domestic Product (RGDP) and economic activities also invariably, economic growth and development, that comes through accumulation of capital, quantitative and qualitative expansion of employment and improvement in the technique of production in general. Hence, foreign private investment must be encouraged to grow and be sustained in Nigeria; the government should have deliberate macroeconomic policies that are predictable. Foreign private investors should be able to rely upon the integrity of the government to maintain law and order, while sound fiscal, monetary and exchange rate policies must be sustained with the needed friendly business environment that is politically, socially and economically stable. Strong financial sector (Banking and Insurance Services) should be sustained and the present level of corruption should be reduced to the lowest level in order to attract the needed foreign private investors to the Nigerian economy.

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