Impact of Macroeconomic Indicators on the Performance of Foreign Portfolio Investment in Nigeria

Onuorah, Anastasia Chi-Chi

Department of Accounting, Banking and Finance,

Faculty of Management Sciences,

Delta State University, Asaba Campus.

Delta State Nigeria.

E-mail: anastasiaonuorah@yahoo.com

Akujuobi, Linus Eze

Department of Financial Management Technology

School of Management Technology (FMT)

Federal University of Technology

P.M.B 1526, Owerri Imo State, Nigeria

E-mail: Leakujuobi@yahoo.com

Abstract

This paper examines the impact of macro-economic variables on foreign portfolio investments in Nigeria between the periods of 1980-2010. Data were sourced from the World Bank statistical data base. Various empirical analyses were performed using Phillip-Peron at lag 3 to test for the properties of the time series variables. Co integrations results showed that macroeconomic variables were co integrated with foreign direct investment in Nigeria. The study revealed that among the identified macroeconomic variables, GDP and MS had inverse relationship with FPI while other macroeconomic variables were positively related to FPI. These variables are inversely related to FPI but Interest Rate, Exchange Rate and inflation rate were directly related to FPI. Granger causality results revealed that macroeconomic variables do not granger caused FPI. Macroeconomic variables were found to be statistically insignificant to FPI based on F-statistic computed value. Finally, the study found out that there was no run relationship existing between GDP, inflation rate, exchange rate, MS, interest rate and foreign portfolio investment. The study recommended that excellent macroeconomic policy performance and national's investments strategic plan should made which will enhance efficient and optimal investments holding and management while paying significant attention to the development of infrastructures, and employment generation in the country.

Keywords: Granger, Nigeria foreign portfolio investment, Macroeconomic variables, OLS, Significance

1. Introduction

In finance, Foreign Portfolio Investment is the entry of funds into a country where foreigners make purchase in the country's stock and bond markets, sometimes for speculation. It is a usually short term investment, as Foreign direct investment partnership, involving transfer of technology and "know how". FPI is possibly influenced by high rates of return and reduction of risk through geographic diversification. The return on FPI is normally in the form of interest payments or non-voting dividends. It is a group of investment assets that focuses on securities from foreign markets rather than domestic ones. It gives the investor an exposure to growth in emerging and provides diversification. It

allows investors to further diversify their assets by moving away from a domestic-only portfolio.

The existing literature examines foreign portfolio investment as the acquisition of financial assets from one country to another country. FPI is the acquisition of controlling interest in foreign firms and businesses. Foreign Portfolio Investment (FPI) is an aspect of international capital flows' comprising of transfer of financial assets: such as cash; stock or bonds across international borders in want of profit. It occurs when investors purchase non-controlling interests in foreign companies or buy foreign corporate or government bonds, short term securities or notes. Accordingly, just as trade flows result from individuals and countries seeking to maximize their well being by exploiting their own comparative advantage, so too are capital flows the result of individuals and countries seeking to make themselves better off, moving accumulated assets to wherever they are likely to be the most productive (ERP, 2006). This type of investment has become an increasingly significant part of the world economy over the past three decades and an important source of fund to support investment not only in developed but also developing countries.

2. Review of Related Literature

2.1 Introduction

According to Ezirim (2005) Foreign Investment was the decision to commit monetary resources to projects or securities abroad with anticipation of future profits and or income. According to Anyanwale (2007) and Ezirim (2005) foreign portfolio investment is one of the components of foreign investment (FI). FPI involves the commitment of funds to domestic securities by a foreign nation or the purchase of foreign securities by a resident. Foreign portfolio investment may not involve positive transfers, just being a change in ownership. In addition available data in Lipsey (1999) suggest that FDI flows tend to be more stable compared to FPI. This is because of the liquidity of foreign portfolio investment and the short time horizon associated with such investments. Also, FPI inflows can be less affected by change in national exchange rated as compared to foreign portfolio investment. However a balanced combination of the two, take in to consideration the unique characteristics of the recipient economy will bring about the required effects on the economy. The benefits of foreign portfolio investment (FPI) include transfer of technology, higher productivity, higher incomes, more revenues for government through taxes, enhancement of balance of payment ability, employment generation, diversification of the industrial base and expansion, modernization and development of related industries. According to Feldstein (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 market can contribute to the spread of best practices in corporate governance, accounting rules and legal traditions. Third, the global mobility of capital limits the ability of government to pursue bad policies. Four, foreign investment through FDI allows 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 and can also promote competition in the domestic input market. Lastly, profits generated by foreign investment contribute to corporate tax revenues in the host country. However, the argument against foreign investment is that it may cause capital flight which, it may lead to net capital outflow and thus create balance of payment difficulties, it also creates income distribution problem when it competes with home investment. Foreign investment may also actually be capital intensive, which may not fit in the factor proportion of the recipient country. Since the 1980's, flow of investment have increased dramatically the world over. Despite the increased flow of investment to developing countries in particular, Sub-sahara Africa (SSA) countries are still characterized by low per-capital income, high unemployment rates and low and falling growth rates of GDP, problems which foreign private investment are theoretically suppose to solve. Nigeria, being one of the top three countries consistently received FDI

in the last decade (Anyanwale, 2007) is not exempted from this category.

2.2 Macro-economic Variables

In the works of Lee (2007), it was argued that wide range of factors have been adduced to be responsible for the causal effect on the international flows of foreign investment. In the work of Nuntila Derusia (2012) opined that relative low yields in industrial countries together with impressive economic growth and attractive returns in developing countries motivated investors to relocate their funds to direct investments. He posits that the increase in international flow of foreign investment correspondent well with the trend towards trade globalization, international financial linkages and expansion of production bases overseas. Macroeconomic variables are indicators or main signposts signaling the current trends in the economy. Thus Keynes identified some main macroeconomics variables that study the FPI of the economy as a whole: Gross Domestic Product (GDP), Exchange rate (EXR), Interest Rate, Inflation and Money Supply. GDP is a measure of the annual improvement in the standard of living of the average citizen/resident of a country and it takes into account all the production inside a country, independent of whose ,domestic or foreign, owns the production site. What is important is that the production takes place inside the territories of the country. Exchange rate is the rate in which one nation's currency is compared with the value of another country's currency. If one nation's exchange rate is higher than another one, it affects the purchasing power of the lower exchange rate of a particular country. Example, Nigeria naira rate is lower as to compare to dollar of America therefore an American will have a higher purchasing power than Nigerian. Interest rate is the cost of borrowing money, cash, credit, bonds, stocks, mortgage government borrowing. Interest rate reaches a peak just before recession and fall through the recession. Rising interest rate signal an expanding economy and when already high interest rate begins to rises even further and faster, that is a sure sign of the onset of inflation. Inflation is an economy can be the result of an increase in aggregate demand that is accompanied by an increase in aggregate supply. A rise in any component of aggregate demand can bring about demand-pull inflation. Inflation can also result from a decrease in aggregate supply that occurs when businesses find that production inputs have risen in price. Such occurs when labour cost and the price of raw materials such as crude oil have risen. Money supply is the injection of money to the financial system. It is an important macro-economic tool for stabilizing the economy when there is deficit fund.

2.3 FPI Sources

The structure of FPIs enables investors to sell their assets more easily and quickly this makes FPI the primary candidate to be the hottest and the most volatile of all major type of foreign capital flow. In order words foreign portfolio investment (FPI) is an aspect of international capital flows comprising of transfer of financial assets: such as cash: stock/equity and bonds across international borders in want of profit. It occurs when investors purchase non-controlling interests in foreign companies or buy corporate or government bond, short term securities or notes, just as port-folio flows result from individuals and countries seeking to maximize their well being by exploiting their own comparative advantage so too are capital flows the result of individuals and countries seeking to make themselves better off, moving accumulated assets to where ever they are likely to be most productive. Even though Prasend et al, (2007) document a recent phenomenon of "Up-Hill" flows of capita; from non-industrial to industrial countries and analyze whether the pattern of capital flows has hurt growth in non-industrial economics that export capital, there has equally been a dramatic increase in the magnitude of international flows of portfolio investment, especially from countries in the North to emerging market economics across the south including Nigeria since 1980's.

That has adjudged to motivated by relative low yields in industrial countries together with impressive economic. FPI increases the liquidity of domestic capital markets, and can help develop market efficiency as well. As markets become more liquid, as they become deeper and broader, a wider range of investments can be financed. New enterprises, for example have a greater chance of receiving start-up financing. Savers have more opportunity to invest with the assurance that they will be able to manage their portfolio, or sell their financial securities quickly if they need access to their savings. In this way, liquid market can also make longer term investment more attractive.. Graham and krugman (1995) state that differences between portfolio and direct investors stem from the differences in motivation and expectation for these two types of investment. for the foreign direct investor, the purpose is control and operation of an enterprise, just as will be slower and more costly for such an investor to commit to the host economy, it will be slower and more costly to divert. In the medium to long term, he expects a profitable operation. The portfolio investor, on the other hand is interested in putting his funds where they get the maximum return for a given lack of level. Portfolio investment will be faster to move in search of higher returns and or lower risk, and have a shorter time horizon. Therefore it will tend to be more volatile. Volatility can be useful in providing opportunities for profit, or arbitrage, which will attract investors and encourage market efficiency. Volatility also indicates that the market is seeking the best allocation of capital for the current economic opportunities. But, portfolio investment, with its volatility can also experience system-wide movements of capital which can have broad economic repercussions. These differences in motivation and attributes necessitate differences in policy approach for the two types of investment.

Policies for FPI

FPI as has been advocated by Asia (2000) foreign portfolio investment, strong and well-regulated financial markets are necessary to deal with the inherent volatility. The financial system must have the capacity to assess and manage risks if it is prudently and productively invest capital flows, foreign or domestic. Its central role of financial intermediation and credit allocation is a key element of economic growth and development. As has been shown above, foreign portfolio investment can be an important player in this function, and bring additional strengths and benefits, but those benefits will be most effective when working within a healthy financial system.

For a financial market to maintain it's health Osiegbu and Onuorah (2011), stated that institution within it must be able to identify, monitor and manage business risks efficiently. The payment system, through financial institutions and clearing houses, must be efficient and reliable. The financial system must also have the ability to withstand economic shocks, such as a substantial shift in the exchange or interest rates, or a sudden capital withdrawal. It must, as well be able to withstand systemic shocks, is a central, and perhaps unique, element of capital market. It demands adequate capitalization and risk management capabilities. Although supervisors need to be able to verify that a financial institution's exposure is balanced and capital is adequate, the extent of specificity in the regulations should be a function of the overall soundness and structure of the financial system. Regulation and regulators will be most effective when they create incentives for sound behavior and when their application and practices are able to evolve with the needs of the market. Supervisors need to be aware of the risks and cost of excessive prudential regulation. The costs will be seen in the time and resources required to comply with the regulations, which should be balanced against the need for regulation, but they will also be seen in the effect on innovation and evolution in the markets, which can bring benefits to both the financial market and the broader domestic economy. Excessive regulation and supervision can put the onus for effective management of financial institutions on the supervisory authorities, rather than the directors and managers of the institutions. This will reduce the effectiveness of management and of market

disciplines, potentially the most practical and efficient "regulators". The right balance is essential. Market discipline can provide the greatest incentives for effective risk management. Therefore, it is important not to subvert it by excessive regulation, but there are other factors to watch to ensure that market discipline is effective. Market discipline depends on clear signals from the market. Government guarantees of financial institutions, or implicit government support, can keep the market from signaling a growing problem, as can government ownership.

2.5 Empirical Review

A number of studies legitimately confirmed macro-economic factors as predictable effect on foreign investment. for example the results of some research studies find positive outcome from international capital flow such as direct and portfolio investment.

Durham (2003), in contrast to the empirical literature's focus the effects of foreign portfolio investment FPI and "other" foreign investment (OFI) on economic growth using data on 88 countries from 1977 through 2000. Most measures suggest that EPI has no effect and some results indicates that OFI has a negative impact on growth that is somewhat mitigated by initial financial and or legal development. The empirical analysis also examine whether FPI does not correlate positively. Jenkins and Thomas (2002)examines the determinants of foreign portfolio investment (FPI) and its impact on the national economy in six developing Asian countries. Regression results show that inflation rate, index of economic activity and the share of domestic capital market in the world stock market capitalization are four statistically significant determinants of FPI. The first variable has a negative coefficient while the last three variables possess positive coefficients. Foreign direct investment, total foreign trade and current account deficit variables are found to be statistically insignificant. Regarding the impact of FPI on the national economics, it is found that the index of economic activities and inflation rate show an upward trend. Volatility in portfolio flows has an increased overtime. Ratio of foreign debt and debt servicing to GDP has declined. But the rule of thumb regarding the issue of sustainability of FPI suggests that India and Indonesia have crossed the upper bounds of permissible debt ratios.

Lee (2007), posits that in the last several years there has been a substantial theoretical advancement in our understanding of the factors determining international portfolio capital movements. From the mechanic flow theory, progress has been made to the portfolio-adjustment theory which rests on a firmer microeconomic foundation however; because of the multifarious functions of the United States in the world economy the portfolio-adjustment theory is not quite adequate in explaining the foreign portfolio investments in the United States. There are other motives such as maintaining working balances and compensatory balances in addition to the expected utility maximization. In some studies, ad hoc assumptions are introduced to account for these motives for holding U.S liabilities. Given some statistically successful results, there is much to be desired in this simple portfolio approach modified with ad hoc assumptions. Despite the theoretical weakness, Lee asserts there would have been more empirical research in this area if data on wealth for foreign countries were available. Furthermore, the few existing studies were carried out by doing away with the wealth variable without any convincing justification. Given constrain of data, a more persuasive argument will have to be presents in favor of deleting the wealth variable or using an alternative variable. It seems that a proper use of estimates of permanent income, which can be approximated empirically, may be successful in empirical estimations of capital flows. This paper investigates the performance of macroeconomic variables on the portfolio investment in Nigeria and also seek address direction and significant relationship among the identified variables to the FPI.

3.0 Methodology

3.1 Model Specification

This is a brief description of the estimation method used in the study

Model: $\quad FPI = (GDP, EXCR, ITR, IF, MS)$

Where; **FPI** = Foreign Portfolio Investment, **GDP** = Gross Domestic Product, **EXCR** = Exchange Rate,

3.1.1 Transformed Model Specification

To evaluate the empirical relationship the exogenous and endogenous variables, we took the natural log form of the variables using the function $\left(Y_t = \dfrac{1}{\log(X_i)} \right)$ where i is the value of variables under study. The transformation model can be expressed in Log form:

The model can be expressed in estimation form as follows:

$$LNFPI = \alpha_0 + \alpha_1 LNGDP + \alpha_2 LNEXCR + \alpha_3 LNITR + \alpha_4 LNIF + \alpha_5 LNMS + \mu \qquad\qquad 1$$

The variable description are: **EXCR** = Exchange Rate **ITR** = Interest Rate, **IF** = Inflation Rate, **MS** = Money Supply, **FPI**=Foreign Portfolio Investment, where α_0 =Constant (Intercept), α_1=Coefficient GDP, α_2=Coefficient EXCR, α_3 = Coefficient ITR, α_4= Coefficient IF, α_5 = Coefficient MS, μ = Error term.

The presumptive sign or the apriori expectation is: $\forall\ \alpha_2, \alpha_3, \alpha_4, \alpha_5 > 0$ where $\forall$ is mathematical symbol representing for every α and α_i is constant function of the OLS model.

From the market GDP which is represented by α_2, one would expect an increase in FPI based on the revenue derivation from the transactions involved in overall economic activities. Also, the apriori expectation of α_3 and α_4 which are coefficients of EXCR and ITR respectively are expected to be positive, that is, bringing about increase in FPI. This is because the exportation of oil and non-oil items implies capital inflow to the Nigerian economy. IF which is represented by α_5 is also expected to have a direct relationship with FPI since it involves the importation of capital goods which are used to create investment. β_6 which is the coefficient of MS is expected to be directly related to FPI.

5. Estimation of Model Procedure

Many studies have aggregated to the fact that investment inflows in any developed or developing economy has some macroeconomic variables identified as determinant of investment performance, Nigeria as a developing economy is not an exception. Against this background, various econometric techniques will be adopted to investigate the performance of the macroeconomic variables on the categorized investment flows in Nigeria. Phillips-perron unit root test statistic is used to test for stationarity. OLS model estimation is adopted to determine relationship among variables. Granger causality is used to investigate the impact of macroeconomic variables on FPI. F-statistic and t-statistic are adopted to accept or reject the above hypotheses using the decision rule criteria of the probability associated with t-ratio and F-stat. If the probability is less than 0.05 critical value, we accept H1 that there is significant relationship. Durbin Watson Statistic (DW-test statistic) verifies the presence or absence of first order serial autocorrelation, if the value falls within 2.0 to 4.0 by the rule of thumb of DW-Hat statistic decision rule.

6. Empirical Analysis and Discussion of Results of Model

Table 1: Summary of Result of Unit Root Test using Phillips-Perron Test (PPtest) for FPI.

Variables	PP Test	5% Critical Value	Decision	Conclusion
D(LNFPI)I(0)	-12.1361	-2.9627*	No Unit Root	It is Stationary
D(LNGDP) I(0)	-6.5359	-2.9378*	No Unit Root	It is Stationary
D(LNEXCR) I(0)	-3.4838	-2.9627*	No Unit Root	It is Stationary
D(LNITR) I(0)	-3.9321	-2.9627*	No Unit Root	It is Stationary
D(LNIF) I(0)	-3.4833	-2.9627*	No Unit Root	It is Stationary
D(LNMS) I(0)	-4.7894	-2.9627*	No Unit Root	It is Stationary

*significant at 5% level, PP test > Critical value, then the variable is stationary

Table 1 shows that there is no unit root among the time series when subjected to PP test at level and order difference in the time series. Gross Domestic product (LNGDP), Foreign Portfolio Investment (LNFPI), Interest Rate (LNITR), Exchange Rate (LNEXCR), Inflation (LNIF) and Money Supply (LNMS) has no unit root at level I(0) as the calculated PP test values are greater than the critical value at 5% irrespective of sign difference at iteration lag 3. This confirms that all the time series variables are stationary. The result further informs OLS and Granger causality for model estimation, relationship and investigating the impact of macroeconomic variables on FPI.

6.1 OLS Model Result of LNFPI

Table 2

Dependent Variable: LNFPI

Method: Least Squares

Sample: 1980 2010

Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNGDP	-0.004419	0.005771	-0.765676	0.4510
LNEXCR	0.001355	0.001824	0.742970	0.4644
LNITR	0.001231	0.001825	0.674736	0.5060
LNIF	0.056195	0.035350	1.589686	0.1245
LNMS	-0.021355	0.021115	-1.011412	0.3215
C	-0.010568	0.033548	-0.315005	0.7554

R-squared	0.130926	Mean dependent var	0.017813
Adjusted R-squared	-0.042888	S.D. dependent var	0.041309
S.E. of regression	0.042186	Akaike info criterion	-3.321480
Sum squared resid	0.044491	Schwarz criterion	-3.043934
Log likelihood	57.48294	F-statistic	0.753252
Durbin-Watson stat	0.899139	Prob(F-statistic)	0.591642

significant at 5% level, t-ratio <0.05, it is statistically significant.

Source: E-Views 4.0 Result Output

6.1.1 Discussion of OLS Result of FPI

Econometric result of the model adopted is presented in table 2. The OLS model of Foreign Portfolio Investment (LNFPI) reveal the LNGDP and LNMS are inversely related to FPI. However, direct relationship is found among LNITR, LNEXCR and LNIF with LNFPI. Estimate of LNGDP and LNMS are -0.0044 and -0.0211 respectively. These imply that there are inverse relationship between the independent variables, Gross Domestic Product (LNGDP) and Money Supply, and the dependent variable, Portfolio Investment (LNFPI) which means that unit change in LNGDP and LNMS will bring about 0.004 and 0.021 relative change in Foreign Portfolio Investment (LNFPI).

The estimated value of exchange rate is 0.00136. This shows a direct relationship between Exchange Rate (LNEXCR) and Portfolio Investment (LNFPI). That is, a relative change in Exchange Rate (LNEXCR) results in about 0.0014 increase in Portfolio Investment (LNFPI). The estimate of $_4$ is 0.0012. This implies correspondent relationship exists between Interest Rate (LNITR) and Portfolio Investment (LNFPI). This simply shows that relative change in Interest Rate (LNITR) will account for 0.001 s in Portfolio Investment (LNFPI). The estimate of money supply is 0.0056 suggests positive relationship between the Inflation (LNINF) and Portfolio Investment (LNFPI). Therefore implies that a unit change in Inflation will result in 0.006 s in Portfolio Investment (LNFPI). Hence, there is presence of first order serial autocorrelation but the model is good for prediction as the r-squared value is less than the D.W result.

The results of the empirical study for the test of significance are discussed as follows: F-statistics and t-statistics are adopted to accept or reject the above hypotheses to be tested using the decision rule criteria of the probability associated with t-ratio and F-stat. If the probability is less than 0.05 critical values, we accept H1 that there is significant relationship but if the probability value is greater than the 0.05 critical values, it is not statistically significant. Investigating the overall significance of the model, the value of F-statistics is 0.756 and the probability associated with it is (0.5914) which is greater than 0.05 at 5% critical level. This means that there is no statistical significance between FPI and Macroeconomic variables. R-square is 0.13, implying that the coefficient of determination (R^2) is statistically significant at 13% which adjudge the model as weakly fitted. Generally, the empirical results show the identified macroeconomic variables are not statistically significant to Foreign Portfolio Investment (LNFPI).

6.1.2 Granger Causality Test

Table 3

Pairwise Granger Causality Tests

Sample: 1980 2010

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Probability
LNGDP does not Granger Cause LNFPI	29	0.09394	0.91067
LNFPI does not Granger Cause LNGDP		0.20173	0.81868
LNEXCR does not Granger Cause LNFPI	29	0.10195	0.90347
LNFPI does not Granger Cause LNEXCR		0.03235	0.96821

www.iiste.org

LNITR does not Granger Cause LNFPI	29	0.07421	0.92868
LNFPI does not Granger Cause LNITR		0.08752	0.91649
LNIF does not Granger Cause LNFPI	29	0.80032	0.46081
LNFPI does not Granger Cause LNIF		0.68276	0.51477
LNMS does not Granger Cause LNFPI	29	0.04287	0.95811
LNFPI does not Granger Cause LNMS		0.18092	0.83563

significant at 5% level, t-ratio <0.05, it is statistically significant.

Source: E-Views 4.0 Result Output

The causality effect of macroeconomic variables on LNFPI points out that all the independent variables do not have statistically significant in explaining the causal effect on performance of LNFPI. This is explained by the results of the probability values of F-statistic being greater than 5% critical value. The (LNGDP) does not Granger cause foreign portfolio Investment (LNFPI) and foreign portfolio investment (LNFPI) does not Granger cause (LNEXCR). More so, the granger results reveal that LNITR, LNIF and LNMS do not Granger cause (LNFPI). The macroeconomic variables do not exact influential factors on foreign portfolio investment (LNFPI). Hence, there is no-directional relationship between macroeconomic variables and foreign portfolio investment (LNFPI). These signify no run relationship existing among interest rate, GDP, EXCR, inflation rate, money supply and foreign portfolio investment (LNFPI).

7. Summary of Findings

The study has modeled and estimated the macroeconomic determinant of Foreign Portfolio Investment in Nigeria in order to examine the impact of macroeconomic variable on the and tend also investigate long-run and the short-run macroeconomic variables influencing Foreign Portfolio Investments in Nigeria. It has also examined the impact of some selected macroeconomic variables on Foreign Portfolio Investment in Nigeria. It is discovered empirically and shown in this study that the Foreign Investments in the country are driven primary by the size of the country's interest and exchange rates.

The Foreign Portfolio Investment in Nigeria are shown from the results obtained that interest, inflation and exchange rates have directly impact on FPI while GDP and MSP have negatively affect the FPI in the country. The study finds strong and robust evidence of an overall significance of the macroeconomic factors in explaining Foreign Direct Investment in Nigeria.

Foreign Portfolio Investments in Nigeria shows evidence of a negatively strong relationship with GDP in the country while a weak positive impact of FPI is found on GDP and exchange rates in the short–run in the county as interest rates are often drawn in order to money supply in the economy and inflationary trends are greatly associated with d money supply. Foreign Investment establishes inverse relationship between interest and inflation rates but has direct impact on GDP, MSP and EXR. Among the investments categories, foreign investment is found have greater influence of macroeconomic variables by the empirical result of coefficient of variability than the foreign direct investment in Nigeria.

7. Conclusion

It has been established in this study that Foreign Portfolio Investment in Nigeria are for varieties of reasons depending on the need of the country in question. As for Nigerian, it is the finding of the study that Investments in Nigeria are held as buffer stock absorbers for insurance of the economy against external shocks in exchange and

inflation rates management among others with the main sources of Foreign Direct and Portfolio Investments in Nigeria being MSP, GDP and INTR. In the face of today's increasing globalization, country can afford to operate as an island, thus in the process, there are bound to unexpected shocks. Thus, the role of Foreign Investments in Nigeria as shock absorber cannot be over emphasized with an excellent macroeconomic policy performance of national's investments strategic plan that will ensure and enhance efficient and optimal investments holding and management while paying significant attention to the development of infrastructures generation of employment and general reduction of the prevailing poverty level in the economy, the nations pursuit of vision 2020-to be among the first 20 development economy in the year 2020-will by means be in the neighbourhood of achievement.

Reference

Asia -Pacific Economic Corperation. (2000) Voluntary Action plan for promotinrg freer and more stable capital flows, report represented to OPEC Finance Ministers. 524

Anyanwale, A.B (2007) "FDI and Economic Growth: Evidence from Nigeria" AERC Research paper 165, African Economic Research Consortium, Nairobi.

Durham, J.B. (2003) "Foreign Portfolio Investment, Bank Lending and Economic Growth" International Finance discussion papers Number 757

Ezirim B.C (2005): "Finance dynamics principles, rechruques and Applications 3rd Edition. Murkowits center for research and Development.

Feldstein, M. (2000). "Aspects of Global Economic Integration: Outlook for the Future" NBER Working Paper, No. 7899.

Graham, E.M and Krugman, P.R. (1995) Foreign Direct Investment in the United States, Institute for International Economics, Washington, D.C January 1995.

Granger, C.W.J (1988). "Some Recent Development in a Concept of Causality , *Journal of Econometrics. 39.199.211.*

International Monetary Fund (IMF) (1985), "Foreign Private Investment in Developing Countries" International Monetary Fund, Washington   D.C.

Jenkins, C. and Thomas, L (2002) "Foreign direct investment in Southern Africa: determinants characteristics and

Lee Chung H. (2007): "A Survey of the literature on the Determinants of foreign portfolio investment in the United States" Journal Review of World Economics Springer Berlin/ Heidelberg ISSN 1610-2878 (print)1610-2886 (online) Issue Volume 113, Number 3/ September, 1997.

Lipsey, R.E, (1999), "The role of Foreign Investment in International Capital Flows" NBER Working paper, 7094.

Nuntila Derusia (2012), "Foreign investment and theories, An overview of the main theories. European Journal of interdisciplinary studies, Academy of economic studies, Bucha rest.

Osiegbu P.I and Onuorah A.C, and Nnamdi (2011): "Fundamentals of Finance. C.M Global Co.Ldt Publication, No 107 Nnebisi Road, Cable point, Asaba, Delta State.

Prasend. E.S. R.G. and A.Subramanian (2007) "Foreign Capital and Economic Growth Working paper 13619 National Bureau of Economic Research.

World bank.1996. World Debt Tables: External Finance for Developing Countries. Vol. 1 (Analysis and summary Tables). Washinton, D.C.

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** http://www.iiste.org/Journals/

The IISTE editorial team promises to the review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar