



Journal

Journal of African Business >

Volume 20, 2019 - Issue 4

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Foreign Capital Inflows and Economic Growth in Nigeria: Any Nexus?

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Pages 455-471 | Published online: 20 Mar 2019

 Download citation <https://doi.org/10.1080/15228916.2019.1581010>

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ABSTRACT

This paper examines the impact of foreign capital inflows on economic growth in Nigeria for 1980–2015 period. It employs Autoregressive Distributed Lagged (ARDL) bounds test, and finds a cointegration relationship between foreign capital inflows and economic growth. Specifically, foreign portfolio investment has positive impact on growth, while the impact of foreign loans is negative. Nevertheless, foreign direct investment and foreign aid have insignificant impact on growth, suggesting that Nigeria cannot rely on foreign direct investment and foreign aid as vehicles to stimulate growth. Rather, an increase in foreign portfolio investment or reduction in foreign loans has beneficial effects on the economy.

KEYWORDS: Foreign capital inflows, foreign direct investment, foreign aid, foreign portfolio investment, foreign loans, economic growth

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