

Analysis of Private Sector Investment on Economic Growth in Nigeria

Adamu Ndanusa ^{*1}, Abdul Adamu² & Baba Madu³

¹ Department of Economics, Federal University, Lafia- Nigeria

² Department of Economics, FCT College of Education Zuba Abuja

³ Head National Accounts Division, National Bureau of Statistics, Abuja.

*Correspondence Email: Successfulcomrade79@gmail.com

Abstract

The study examined the effect of private sector investment on economic growth in the liberalised Nigerian economy 1990 to 2021. The data for this were analysed using descriptive and analytical tools. The study employed Auto-regressive distribution lags model (ARDL) estimation technique based on the unit root test to determine the effect of four major factors; Loan and Advances (LA), Interest rate (INTR) Exchange rate (EXR) and Inflation rate (INFR) on real gross domestic product (RGDP) which proxies economic growth. Findings revealed that there is negative and significant impact of Interest rate (INTR) Exchange rate (EXR) and Inflation rate (INFR) on economic growth in Nigeria. The study thus concludes that, by improving and strengthening private sector investment, economic growth would be enhanced in Nigeria. The study therefore recommends that in order to boost economic growth in Nigeria more emphasis should be placed on encouraging private investment through domestic and foreign financing.

Keywords: Private sector, Investment, Economic Growth

JEL Classification: E22, C50, F34

1. Introduction

Private sector investment is an undeniably potent tool for long-term economic growth and development, particularly in emerging economies and has been proposed as the foundation of economic prosperity in Nigeria. The private sector includes all economic institutions, corporate businesses, cooperatives, and other organizations that do not belong to the government. The successes of industrialized economies in terms of the contributions made by the private sector support the idea that private investment is crucial, especially in developing countries. Private investment has been referred to as a source of entrepreneurship with its operations demonstrating a positive impact on a country's economy and people's quality of life in order to underline its relevance in relation to the growth and development of a nation (Ajudua, 2023). Rationalization and reform of the public sector, as well as the liberalization of its labour market, private sector has taken on significant proportions in many industrialized countries (ILO, 2002). Given the importance of the sector, successive governments in Nigeria have adopted policies aimed at supporting

and promoting private sector growth in order to enhance increased performance and innovative ideas, curb high inflation, poverty and unemployment rates, improve the standard of living and achieve economic growth (Ajudua, 2023). Furthermore, country's increased share of private investment is as a result of its ability to reform and privatize the public sector, liberalize foreign trade and payments, increase market access to foreign direct and portfolio investments, and improve the financial system's ability to mobilize domestic savings and allocate financial resources (Ajudua, 2023). This has reflected role that market forces play in improving private investment in Nigeria. According to Central Bank of Nigeria Statistics (2021) reveal that private investment as a percentage of GDP declined from 14.6% in 1973 to 5.9% in 1980 and 2.0% in 1985. It rose to 13.0% and 16.2% in 1999 and 2002 respectively with 12.2%, 11.5%, 11.2% and 12.9% reported in the years 2017, 2018, 2019 and 2020 while it was put at 11.8% in 2021. The private investment ratio to GDP indicates the smallest share of gross domestic investment. Furthermore, the credit to private sector ratio to GDP in Nigeria was 3.7% in 1960, 12.22% in 1980, 4.95% in 1990, 8.24 and 19.62 in 2000 and 2009, respectively, before falling to 10.60% in 2012 and 12.13% in 2020 with the global average for 2020 put at 60.26% (World Bank, 2020).

In-view of the above, the successive government in Nigeria has adopted various means to boost private sector investment and stabilises the economy. Despite the efforts performance and contributions of public sector investment has remained low. The enumerated above provided a justification to find out if private sector investment do contribute to economic growth in Nigeria. The study therefore seeks to examine the extent to which private sector investment contribute to economic growth in Nigeria. The objective of this paper is to investigate the relationship between private sector investment and economic growth in Nigeria. This study differs with previous studies as it examined the combined impact of Economic growth as proxy Gross Domestic Product as dependent variable while private sector investment variables include Loan and Advances, Interest rate Gross Fixed Capital Formation, exchange and inflation rate as control variables on the economy of Nigeria

2. Literature Review

Concept of Investment

Investment refers as addition to capital equipment which enables increase in the production of capital goods (Jhingan, 2003). Investment refers to accumulation and commitment of fund in financial and real assets with the objective of obtaining income overtime. He further stated that it is a commitment of resources made in the hope of realising benefits that are expected to occur over a reasonable long period of time in the future investment which can be refers as the production of capital goods (Heim, 2008). Real domestic investment is expenditure made to the increase on the total capital stock in the economy (Adetiloye & Adeyemo (2012).

Concept of Private Sector Investment

Private sector investment has been the engine of employment and income creation. Provision of infrastructure as well as social services. The international organization have equally acknowledged the role of the private sector in enhancing economic growth of developing countries. Notably, European Commission (E.U) (2014) noted that the private sector has the potentials for generating inclusion and sustainable growth in developing

countries. International Finance Corporation (I F C) (2011) equally asserted that the private sector is a critical component in addressing the development challenges of the developing countries through its contribution in many areas, which include growth, employment, poverty reduction, service delivery, food security, climate change mitigation, environmental sustainability and contribution to taxes. This means that the presence of a private sector can at least spur economic growth and poverty reduction. The public sector is the part of the economy that is controlled and operated by the government at various levels, including federal, state, and local authorities. It encompasses government agencies, departments, ministries, and other public institutions that provide goods and services to the general public (Zahra & Ihsan, 2020). Private sector has the potential to promote inclusive and long-term growth in developing countries (European Commission, 2014). Private sector is a critical component in addressing developing countries' economic challenges (International Finance Corporations, 2011) Hence the advocacy for the increase in money supply, credit to private sector, inflation control and the formulation of policies and laws that allow and encourage private sector development are the variables that have been seen as having the capability of raising private investment in a nation and were key considerations in the SAP reform.

Concept of Economic growth

Economic growth refers to the sustained increase in an economy's capacity to produce goods and services over time. Here are key points regarding the concept of economic growth Josue, Alyda and Kantotiana (2023) economic growth as the expansion of a country's potential gross domestic product (GDP) or national output of a country's production possibility curve (Samuelson & Nordhaus, 2003) growth as a quantitative sustained increase in a country's per capita output accompanied by expansion in its labour force, consumption, capital and volume of trade (Jhingan, 2003). In the same vein, researchers have identified two economic growth models: the neoclassical growth model and the new growth model. Neoclassical growth models or exogenous growth models state that factors of production such as land, labor, capital accumulation, etc., and technological variables affect long-run productivity and economic growth (Solow, 1956). The new growth model or endogenous growth model argues that the growth factors are endogenous rather than exogenous.

Theoretical Framework

The model adopted endogenous growth theory propounded by Paul Romer (1980) as its theoretical base and guide because the theory gives the ground upon which the relationship between Loan and Advances, Interest rate Gross Fixed Capital Formation, exchange and inflation rate as control variables and economic growth can be tested and analyze. The state's that internal factors are responsible for a nation's economic development.

Empirical Review

Josue, Alyda & Kantotiana (2023) examined public investment and economic growth in Madagascar and used vector autoregressive approach (VAR). The model also includes monetary supply and exportation. The result revealed that public investment has positive effect on growth in short term especially in the second quarter but the effect slowly goes down in the next quarter. This is due to the impact of investment on monetary supply which can lead to potential rise of prices. The effect of investment on growth reaches the highest in the fifth quarter after that its return to his stationary state. Makuyana & Odhiambo (2018)

examined public and private investment and economic growth in South Africa. From 1970-2017. Used Autoregressive Distributed Lag (ARDL) bounds testing approach to cointegration. The study reveal that private investment has a positive impact on economic growth both in the long run and short run, while public investment has a negative effect on economic growth in the long run. Further, in the long run, gross public investment is found to crowd out private investment, while its infrastructural component is found to crowd in private investment. The results of the study also reveal that both gross public investment and non-infrastructural public investment crowd out private investment in the short run. Overall, the study finds private investment to be more important than public investment in the South African economic growth process and that the importance of infrastructural public investment in stimulating private investment in the long run cannot be over-emphasized.

Ajudua (2023) analysed Determinants of Private Investment in Nigeria from 1990-2020. Used Auto-Regressive Distributed Lag Model (ARDL) and the Error Correction Mechanism estimation techniques were used to test private investment as the dependent variable and interest rate, money supply, credit to the private sector, inflation rate, and regulatory quality index as the independent variables. The results showed that all variables were correctly signed, and had statistical significance in explaining private investment in Nigeria during the period of study. The study, therefore, encouraged low interest rates to support and enhance lending to the private sector needed for investments, a control of rising inflation rate, monetary authorities developing and implementing policies to increase credit allocated to the private sector, creating and implementing sound policies and laws to support and encourage private sector development as recommendations. Ahmed (2022) examined public and private investment on economic growth of developing countries 1990-2019. Used panel data from 39 developing countries. The study used mixed-effect regression model and Bayesian logistic regression model to derive the findings. For private investments, domestic credit has positive association, but foreign direct investment is negatively correlated with economic growth. Public investment has a strong and a positive impact on economic growth compared to private investment. Public capital formation, labor growth, and government consumption expenditure were significant in explaining the economic growth. Overall, both public and private investments are substantial for the economic growth and development of developing countries.

Zahra, Ihsin & Rashid (2020) investigated the relationship between public and private investment in Pakistan at the aggregate and sectoral level, including the sectors of Agriculture, Manufacturing, Finance, Construction, Transport & Communication and Mining & Quarrying. For this purpose, annual time series data is utilized from 1971 to 2019 except for the Agriculture sector covering the period of 1981-2019 as data for previous years are not available from any published sources. Used Multivariate co-integration approach and ECM are employed to empirically analyze the existence of long-run and short-run association among public and private investment. The results indicate a long run complementary type relationship of public investment with private investment at both the aggregate and sectoral level except for the Finance sector. The short-run analysis supports this long-run positive association at an aggregate level and four sectors, excluding Transport & Communication and Agriculture sector where the results were insignificant. Our results

and generally declining share of public investment highlight that the government is playing its role as an “enabler” (or facilitator) of private investment in terms of association between public and private investment. Anyiwe & Joshua (2019) investigated determinants of private investment in Nigeria and employed Autoregressive Distributed Lag (ARDL) from 1980 to 2016. Result revealed that real gross domestic product, public investment, real interest rate, real exchange rate, credit to private sector and external debt both in a short run and long run significantly affect the level of private investment, except for inflation which was insignificant. Our study revealed that real gross domestic product play an increasingly important role in supporting the nation’s growth in private investment. The study recommends that government should give more priorities to expenditures that compliment (crowd in) private investment: such as capital expenditure. Also since previous exchange rate policies are most likely to spur and speedup the growth and development of the domestic industries and also it has the likelihood to increase investment in this sector. Therefore, necessary adjustments need to be effected for the proper positioning of present exchange rate policies to encourage the investors and investment in the domestic economy.

Jumbo *et.al* (2018) investigated impact of investment on economic growth in Nigeria, using time series data from National Bureau of Statistics and Central bank of Nigeria for the period 1981 – 2016. The study exploit the use of ARDL (2.2) mechanism and found out that both private and public investments are critical determinants of economic growth because in the short-run, they both exert positive influence and that, at the long-run, an interplay of forces may lead to crowd-out- effect except there is a strong institution to help stabilize the economy to restore equilibrium. The study recommend among other things; creation of conducive environment for investment to thrive, massive investment in infrastructure and the use of fiscal policy measures to reduce deficit-financing on the part of the public sector so as to encourage private sector participation in the economy to guarantee economic growth.

Nguyan & Trinh, (2018) evaluates public investment on private investment and economic growth from Vietnam. Used the approach of autoregressive distributed lag model and Vietnam’s macro data in the period of 1990-2016, to evaluate the short and long-term effects of public investment on economic growth and private investment. The model evaluates the impact of public investment on economic growth and private investment based on the neoclassical theories. The public investment which strongly affects economic growth is also reflected by aggregate supply and demand. Public investment directly impacts aggregate demand as a government expenditure and aggregate supply as a production function (capital factor). Findings reveal that public investment in Vietnam in the past period does affect economic growth in the pattern of an inverted-U shape as of Barro (1990), with positive effects mostly occurring from the second year and negative effects of constraining long-term growth. Meanwhile, investment from the private sector, state-owned enterprises, and FDI has positive effects on short-term economic growth and state-owned capital stock has positive impacts on economic growth in both the short and long run. The estimated influence of public investment on private investment also shows a similar inverted-U shape in which public investment have crowding-in private investment short-term but crowding-out in the long run. Adegboye & Alimini (2017) examined public –

private investment nexus in developing economies from 1981-2015. The ARDL estimation was used, and the bounds test results revealed that there exists a long-run relationship among the variables. The study found that public investment crowds out private investment in Nigeria. In other words, the complementarity effect between private investment and public investment is not justified in the study; rather, there exists a substitution effect between private and public investments in Nigeria. More so, the result suggested that the effect of financial development on private – public investment nexus is positive and significant ($P < 0.05$) in both the long and short runs. These findings provided an understanding on the ability of financial development indicator as a policy instrument in the design and implementation of private investment policies in Nigeria.

Alajekwu & Nwakoby (2016) analysed effect of private sector investment on economic growth in Nigeria from 1986-2014. Johansen (1988) technique was used to establish if the non-stationary variable are cointegrated. The result of stationarity and normality test reveals that the model is fairly well specified and could be used for policy analysis. The cointegration test result indicated that Private sector investment and economic growth have long run significant effect on one another. The adjusted coefficient of determination indicated that Private sector investment explains about 98% of changes in economic growth in Nigeria and hence is a veritable tool to boosting growth of Nigerian economy. The coefficients of OLS regression and their t-values indicated that Domestic Private Sector Investment (LnDPSI), Foreign Direct Investment (LnFDI), Foreign Private Investment (LnFPI), and Interest rate have a positive relationship with real GDP while Inflationary Rate (INFR) and Exchange rate have a negative relationship with real GDP. However, only LnDPSI and LnFDI are statistically significant in explaining changes in economic growth while LnFPI, EXCHR, INTR and INF are not significant in explaining economic growth. Further results show evidence of unidirectional causal relationship from domestic private sector investment (DPSI) to gross domestic product (GDP). The granger causality test results further provide evidence of unidirectional causality running from GDP FPI, EXCHR, INTR and INFR respectively. However, there is no evidence to support the existence of causal relationship between GDP and FDI in this study. The study thus concludes by improving and strengthening private sector investment, economic growth would be enhanced in Nigeria. The study therefore recommends that in order to boost economic growth in Nigeria more emphasis should be place on encouraging private investment through domestic and foreign financing.

3. Methodology

The data for this study was secondary sourced materials from 1990-2021. The materials were sourced from the National Bureau of Statistics and Central Bank of Nigeria. The data sourced includes data for the Gross Domestic Product, Loan and Advances, Gross Fixed Capital Formation (GFCF), Exchange Rate (EXCHR) and Inflation (INFL) domestic investment (DI).

The analysis of the data collected for the purpose of this study was carried out using quantitative, analytical techniques which involves running a regression of the specified economic model using appropriate estimation techniques. In a bid to avoid the phenomenon of spurious regression, the data were subjected to diagnostic investigation to determine their

stationary status as well as the trend trajectory or the data. The model specification explains the functional relationship between macroeconomic variables. The study adopted the model of (Romer, Arrow and Lucas, 1990), which was modified to achieve the objectives of the study

The functional form of the model is expressed as:

$$RGDP = f(\text{PI, LOA, INT, EXR, INF}) \dots\dots\dots 1$$

Where GDP = Gross Domestic Product, PI = Private investment, LOA = Loan and advance, INT = Interest rate, EXR = Exchange rate, INF = Inflation rate. However, the econometric model of the equation 3.2 is specifying as:

$$TGDP = \beta_0 + \beta_1 \text{PI} + \beta_2 \text{LOA} + \beta_3 \text{INT} + \beta_4 \text{EXR} + \beta_5 \text{INF} \dots\dots\dots 2$$

Where; $\beta_0 - \beta_5$ = Coefficients, ϵ_t = Error Term

A Priori Expectation

The a priori expectations is expected to be positive and when the value is greater than zero, that is, a priori expectation of $\beta_1, \beta_2, \beta_6 > 0$ while β_3, β_4 and $\beta_5 < 0$. In line with economic theory, it is expected that loan and advance (LOA) and private investment (PI) will have a positive relationship with gross domestic product (GDP) while interest rate (INT), exchange rate and inflation rate (INF) domestic investment (DI) are expected to have a negative relationship with the total gross domestic (GDP).

4. Result

The study examined the effect of private sector investment on Economic Growth in Nigeria. Trends analysis of the variables used in the study period 1990 and 2021 was done with the use of line graphs. The descriptive statistics of the variables were carried out. In estimating the effect of private sector investment on Economic Growth in Nigeria. Auto-regressive Distributed Lag Model (ARDL) regression analysis was employed using e-views 9.0 to establish the relationship among the variables of study.

Descriptive Statistics and Trend Analysis

Table 1: Descriptive Statistics of the variables used in the study

Variables	Mean	Std. Dev.	Maximum	Minimum
GDP	43327671	19581713	72393673	21462734
LOA	7828819.	4533511.	18448657	2910000.
INT	18.42000	3.559738	29.80000	12.32000
EXR	144.2628	118.5667	409.0800	8.040000
INF	18.74688	16.99838	76.76000	3.610000
DI	8954510.	1438550.	11917739	6964796.

Note: Number of observation is 32; Source: Author's computation

Table 1 above shows that the mean of Gross Domestic Product, Loan and Advance, Interest rate, Exchange rate, Inflation rate and Gross fixed capital formation were 43327671, 7828819, 18.42000, 144.2628, 18.74688 and 8954510 respectively. Given this we can conclude that the average Gross Domestic Product, Loan and Advance, Interest rate, Exchange rate, Inflation rate and Gross fixed capital formation were high between 1990 and

2021. The minimum, maximum and standard deviation values of the variables are shown in the table above.

Trend Analysis

To further provide information on the dataset used in the work, we attempt to chart each data to show their trend over time. From figure 1 below, the line graph provides us with further information on the trend of Gross Domestic Product (GDP). The figure shows that though GDP was constant between 1990 and 2001, it increased sharply and continuously from 2001 to 2015 then came a recession for the two consecutive periods 2016 and 2020. This implies that all things being equal, the productive capacity of the country has been on the increase from 2001 to 2015 before recession of 2016 and 2020 which are as result of international fall in crude oil price and militancy in the delta region as well as the great COVID-19 pandemic period of 2020. From figure 2 below, the line graph provides us with further information on the trend of Loan and Advances (LA). The figure shows that LA was in a zig pattern between 1990 and 2021 depending on the direction of the monetary policy decision of the central bank of Nigeria. This implies that all things being equal, this enhances productive capacity of the country has been on the increase from 1990 to 2021. From figure 3 below, the line graph provides us with further information on the trend of Gross Fixed Capital Formation (GFCF). The figure shows that though GFCF was constant between 1980 and 2004, it increased sharply and continuously from 1990 to 2021 at a constant rate. This implies that all things being equal, the productive capacity of the country has been on the increase from 1990 to 2021.

The line graph for exchange rate in figure 4 also provides us with further information on the trend of exchange rate fluctuation. The figure shows that, EXR was at its minimum between 1980 and 1998 and increased sharply in 2000, 2018 getting to its peak in 2021. This implies that the naira was under intense pressure since 2000s to date and resulted in loss of purchasing power of the populace. On the other hand, a depreciated exchange rate should increase the country's external competitiveness all things being equal, but whether this was the case for Nigeria, is another area of study of its own. The line graph on inflation (INFL) in figure 5 below shows that inflation rate was at its minimum in the year 1996 and 2007. It fluctuated steadily getting to the peak in 1994. It recorded a sharp decline in 1995 and fluctuated between 2000 and 2018. The high level of fluctuations in inflation between 1986 and 1997 could mirror the level of uncertain macroeconomic environment in the country, and especially under military rule. The implication of high fluctuations in price level makes it difficult for investment decisions by both the household and businesses. From figure 6 below, the line graph provides us with further information on the trend of Interest rate (INTR). The figure shows that though INTR was in a zig pattern increase sharply between 1990 and 1993 then in a zig pattern depending on the direction of the monetary policy decision of the central bank of Nigeria then fell sharply in 2020 as a result pandemic to stimulate economic recovery from the COVID-19 pandemic. This implies that all things being equal, this is to sustaine productive capacity of the country from collapsing in 2020.

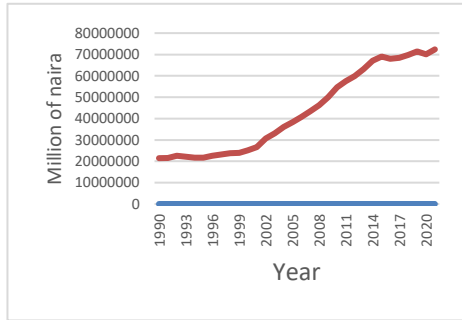


Figure 1: Gross Domestic Product in Nigeria, 1990 – 2021, Source: NBS 2021,

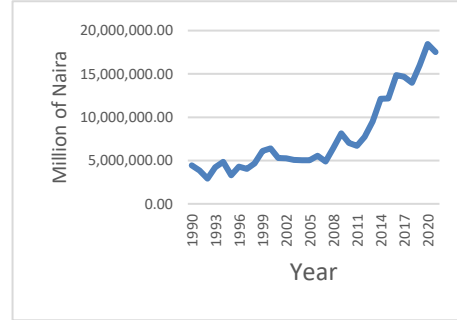


Figure 2 Loan and Advances in Nigeria, 1990 – 2021, Source: CBN 2021

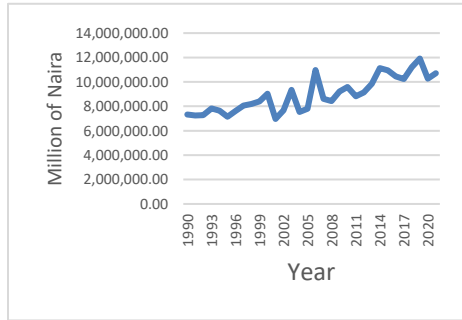


Figure 3: Gross Fixed Capital Formation in Nigeria, 1990 – 2021. Source: NBS 2021,

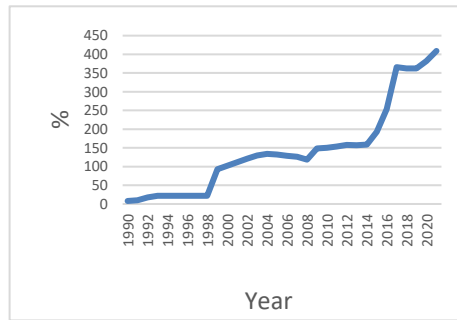


Figure 4: Exchange Rate in Nigeria, 1990- 2021, Source: CBN 2021

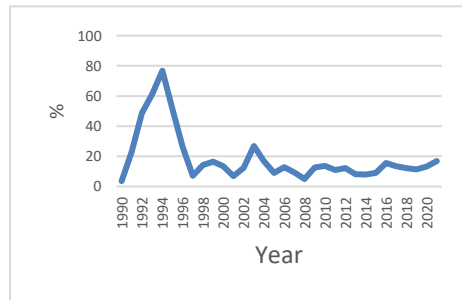


Figure 5: Inflation Rate in Nigeria, 1980 – 2018 Source: NBS 2021,

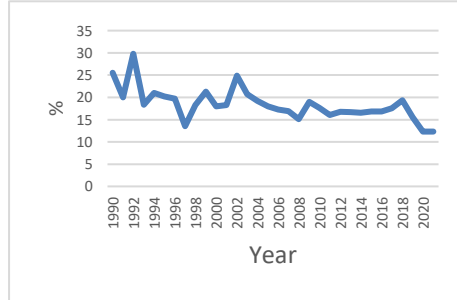


Figure 6: Interest Rate in Nigeria, 1990– 2021, Source: CBN 2020

Presentation of Unit Root Results

Table 2: Augmented Dickey-Fuller (ADF) Unit Root Test

Variable	ADF Test Statistics	5% Critical Value	P-Value	Order of Stationarity
LGDP	-6.648378	-2.967767	0.0000	2(1)
LLOA	-5.426632	-2.963972	0.0001	1(1)
INTR	-3.882599	-2.960411	0.0058	1(0)
EXR	-4.084839	-2.963972	0.0036	1(1)
INFR	-4.419158	-2.967767	0.0016	1(1)
GFCF	-9.905039	-2.967767	0.0000	1(1)

Source: Author's computation

The results of unit root test shown on table 4.2.2 above revealed that all the absolute values of ADF test statistics is greater than their critical values at 5% as well as probability values of probability benchmark are stationary at 5% and implying that GDP, LA, INTR, EXR, INFR and GFCF are stationary at 5%. It is integrated of order level 0 and 1 that is, I(0), I(1) and I(2) indication mixed result. The results also showed that all the variables are stationary at 5% since their absolute value of ADF statistics are respectively greater than their critical values at 5% as well as probability benchmark values less than probability values calculated.

Table 3. Presentation of Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	0.086550	0.029671	36.61952	0.0000
LOA	-0.392338	0.204711	-1.916550	0.0713
LOA(-1)	0.480484	0.243795	1.970858	0.0643
LOA(-2)	-0.589050	0.237505	-2.480161	0.0232
INT	0.081114	79320.59	2.283284	0.0348
EXR	-0.146195	10576.88	-1.382220	0.1838
EXR(-1)	15157.95	13776.46	1.100279	0.2857
EXR(-2)	10368.57	8887.611	1.166632	0.2586
INF	-0.455334	14024.78	-3.246639	0.0045
DI	0.029265	0.276827	0.105715	0.9170
C	2213886.	3303960.	0.670071	0.5113
R-squared	0.998380	Mean dependent var		44782771
Adjusted R-squared	0.997390	S.D. dependent var		19360850
S.E. of regression	989087.1	Akaike info criterion		30.73613
Sum squared resid	1.76E+13	Schwarz criterion		31.29661
Log likelihood	-449.0419	Hannan-Quinn criter.		30.91543
F-statistic	1008.512	Durbin-Watson stat		2.319102
Prob(F-statistic)	0.000000			

*Note: p-values and any subsequent tests do not account for model selection.

Source: Author's computation

The regression result above is evaluated under this sub-section to know whether the signs of the variables adopted in the model conform to what the economic theory postulates. The constant which is the intercept is 2213886. This shows that if all explanatory variables were

held constant, GDP will decrease by 2213886. From the model estimated, the result shows a positive relationship between LA, INTR, DI and GDP while negative relationship existing between EXR, INFR and GGP. This means that a unit change in LA, INTR and DI will increase GDP by 0.0481, 0.081 and 0.0293 respectively while EXR and INFR will cause a decrease in GGP of -0.1462 and -0.455. This conforms to the a priori expectation.

In summary, the result shows that the Loan and Advances (LA), Interest rate (INTR) and Domestic Investment (DI) have positive but not significant relationship with Gross Domestic Product (GDP) while Exchange rate (EXR) and Inflation rate (INFR) have negative and not also significant linear relationship with Gross Domestic Product (GDP). This implies that a unit increase loan and advances, interest rate and domestic investment will increase GDP to the real sector of the economy increase by GDP .0481, 0.081 and 0.0293 respectively while a unit in increase naira gain against other currencies will result to -0.1462 decrease in GDP and inflation in -0.455. The implication of this is that monetary and fiscal authorities should adopt measures that will strengthen the naira against other currencies and increase loans and advance to the real sector of the economy. The result equally shows that the Exchange and Inflation rate (INFL) have positive and inflation rate have negative and not significant relationship with Gross Domestic Product.

5. Conclusion and Recommendations

Our choice of subject in this thesis is hinged on the premise that Loan and Advances, interest rate and gross fixed capital formation can continue to increase Gross Domestic Product when the exchange rate of a country's currency with the dollar is in an economically favourable rate. The rate at which the naira exchanges for the dollar over the years has impacted negatively on gross fixed capital formation growth rate. Though the trend of exchange rate and gross fixed capital formation are not appealing, however, the study still found that exchange rate has proven to influence gross fixed capital formation negatively in Nigeria between the study periods. Therefore, it is necessary to pay more attention to the importance, exchange rate play in the Nigerian economy.

This study recommends that loan and Advances, Interest rate and Domestic Investment are necessary and sufficient policy instrument for Gross Domestic Product, thus naira should not be allowed to depreciate rapidly, as doing so would lead to erosion of investment. Exchange rate is a necessary and sufficient policy instrument for influencing gross fixed capital formation growth rate, thus naira should not be allowed to depreciate rapidly, as doing so would also lead to erosion of investment. Exchange rate management is pivotal for the growth and development of the economy and requires close monitoring. Monetary authorities should adopt measures that will strengthen the naira against other currencies by adopting a forward-looking monetary policy. Stringent trade measures should be adopted to protect local industries and reduce the depletion of our foreign reserves through excessive importation. This can be achieved through high tariffs, quotas and outright ban on some certain goods and services. Regulated trade measures should be adopted to checkmate inflation mostly the imported inflation through foreign trade.

References

- Abdullahi, F.Z., Ladan, S. & Bakari, H.R. (2012). Foreign private investment and economic growth in Nigeria: a cointegrated VAR and granger causality analysis. *CBN journal of Applied Statistics*. 2(2). 15 - 28
- Adegboye, A. A. & Alimi, R. S. (2017). Public-Private Investment nexus in developing economics: Does Financial sector development Matter. *Online://mpira.ub,uni-muenechenide/80908/MPRA No. 80908*
- Adejogbe, M. O. A. (1995): "Macroeconomic Policies and the Industrial Sector, in Macroeconomic Policy Issues in an open Developing Economy: A Case Study of Nigeria. A. Iwayemi, ed. National Centre for Economic Management and Administration (NCEMA), Ibadan
- Adeola, A. (1996): "Structural Adjustment Programme and Productive Efficiency in the Nigeria Manufacturing Sector, Lessons beyond Adjustment". Selected Papers for the 1996 Annual Conference, the Nigeria Economic Society, 1996
- Adetiloye, K.A. & Adeyemo, K. A. (2012). Domestic investment, Capital Formation and Population Growth in Nigeria. *Developing Country Studies*, 2(7). 87 – 97
- Aftab, N. K., Ullah, I., & Awais, M. (2016). Impact of interest rate on private sector credit: Evidence from Pakistan, *Jinnah Business Review*, 4(1), 47-52
- Agu, O. C. (2015). Determinant of private investment in Nigeria: An economic analysis. *International Journal of Economic, Commerce and Management*, 11(4), 1-14
- Ahmed, H. & Miller, S. M. (1999). Crowding-out and crowding-in effect of the component of government expenditure, *Economic Working Paper*, Paper 19999902
- Ahmed, F. (2022). Public & private investment on economic growth of developing countries. *Graduate Research Thesis & Dissertations*. 6777. <https://huskiemmons.lib.nju.edu>.
- Ajudua, E. I. (2023). Derminant of private investment on economic growth in Nigeria. *Lapai Journal of economics*, 6(2)
- Anyiwe, M.A. & Joshua (2019). Derminant of private investment in Nigeria. *Journal of Economics & Sustainable Development*. ISSN2222 Vol. 6(2)
- Asien, A. & Veiga, J. (2010). How does political instability affect economic growth? IMF, Working paper 11/12, 1-28
- Ambachew, M. S, (2005): "Determinant of private investment in Ethiopia: a time series studies" *Journal of economic and finance* 40 (2): 75-126-0271
- Central Bank of Nigeria (2021), Statistical Bulletin Abuja, Nigeria.
- European Commission (2014). A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries. Communication from the commission to the European Parliament, the council, the European economic and social committee and the committee of the region. Brussels, 13.5.2014 COM (2014) 263 final. Retrieved on July 2, 2024 from <http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-263-EN-F1-1.Pdf>
- Heim, J. J. (2008). The investment function: determinants of demand for investment working papers in economics
- ILO (2002) *Decent work and the informal economy*. Report of the Director General, International conference, 90th Session, Report VI, ILO, Geneva.

- International Finance Corporations (2011). Chapter 1: Role of the private sector in development.
- International Finance Institutions and Development through the Private Sector. A joint report of 31 multilateral and bilateral development finance institutions. Retrieved on July 2, 2024 from <http://www.edfi.be/component/downloads/downloads/54.html>.
- Josue, A. R. Alyda, C. & Kantotiana, R. S. (2023). Private investment and economic growth in Madagascar. Online. http://mpa.ub.uni-muenchen.de/119422/MPRA_117422
- Jhingan, M. L (2003). International Economics 6th Edition, Vrinda Publication (P) LTD: Delhi.
- Jumbo, D. Ojonye, S.M. Dung, E.B. Akinyefe, F. & Obida, F. (2018). Impact of investment and economic growth in Nigeria. *Bingham Journal of economic & Allied Studies*, 1(2)
- Makuyana, G. & Odhiambo N. M. (2018). Public and Private investment and economic growth. *Studia Universitatis Based Bolyal Oeconomica*, 3(2)
- Nwakoby, C & Alajekwu, U. B. (2016). Private Sector investment on economic growth in Nigeria. *N.G. Journal of social Development*, 5(4)
- Sammuelson, P. A., & Norddhaus, W. D. (2003). Economic (17th ed), Edition) pearson
- World Bank, (2020). *World Development Indicators*: CD-ROM, World Bank: Washington D.C.