

**An Econometric Analysis of the impact of Foreign
Direct Investment and stock market on economic
growth in Nigeria (1986-2018).
Vector Autoregressive Modeling Approach (VAR)**

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Abstract: This study examines the Impact of Foreign Direct Investment and Stock Market on Nigeria's economic growth. Using time series data for the period 1986 to 2018. The focal point being the role of the stock market development as a channel through which Foreign Direct Investment could promote growth. Employing an unrestricted vector autoregressive model (VAR), through impulse response and variance decomposition approach to determine shocks among the variables under study. The major contribution of this research to the literature was on proving real shocks effect of FDI and stock market on economic growth in Nigeria. Empirical estimates showed that over the period of analysis, stock prices Index (SPI) contributed about 26.4% variation (contribution) in per-capita GDP. Foreign direct investment (FDI) contributed 30.2%, inflation rate has contributed about -12.6% variation (negative contribution) to per-capita GDP, exchange rate (EXR), contributed 15.5% variation in per-capita GDP, while interest rate (INT) have contributed about 9.6% variation in per-capita GDP. Therefore, summing the positive contributed variation, the variables contributed about 81.7% variation in per-capita gross domestic product (GDP). Hence within the period of research Foreign Direct Investment and Stock Market activities had more positive influence on economic growth in the country. Therefore, the study recommended that, government should provide policies to attract more foreign investors including favorable exchange Rate, Interest Rate and Inflation Rate (Monitoring and Miscellaneous Provisions). Moreover, provision of proactive promotion of FDI into the country which will result to the implementation of the IMF monitored-liberalization of the economy with foreign investment into the manufacturing sector.

Keywords: Foreign Direct Investment (FDI), Stock Market, Economic Growth, VAR