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## FOREIGN PORTFOLIO INVESTMENT AND NON-OIL INDUSTRIAL SECTOR DEVELOPMENT IN NIGERIA: AN EMPIRICAL DISCOURSE

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### Abstract

*The non-oil industrial sector of the Nigerian economy largely constitutes the real sector of the economy and partly serves as macroeconomic indicator for measuring the development level of the economy. This industrial sector is key to the development of any country and essentially consumes enormous financial resources, but, most developing Nations are faced with acute shortage of domestic financial resources to meet the ever increasing investment demand, while succor could come through external funds, particularly foreign portfolio investment whose inflows depend on how well developed the domestic money and capital market are, among others. It is equally noted in the development thesis that inadequate domestic financial resources to meet the required level of domestic investment (i.e. saving gap) is a major menace bewildering most developing and undeveloped economies. This economic hubbub requires external financial resources to augment the deficit investment or to bridge the saving gap and put the economy on the path of growth. Therefore, foreign portfolio investment is one of the various potent ways of outsourcing financial resources to ease the domestic financial stress occasioned by low savings and income. However, within the theoretical postulate of McKinnon and Shaw (1973), this study investigates the empirical link between foreign portfolio investment inflows and the non-oil industrial sector development in Nigeria, using both descriptive and econometric methods of analyses and data that spanned 1986 through 2018. The study shows that foreign portfolio investment actually support non-oil industrial sector in Nigeria and that interest rate deregulation policy could be a factor that stimulates this link. It was also found that domestic savings does not support the non-oil industrial sector in Nigeria; this could be as a result of lower investment returns as compared to oil industry or crowding-out effect of private investment by the fiat. The study recommends that government should further develop both money and capital markets, as well as strengthening the regulatory framework of financial liberalization, among others.*

**Keywords:** Non-Oil Industrial Sector, Foreign Portfolio Investment, Autoregressive Distributed Lag Model, Nigeria.

**JEL Classification:** E44; F36

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### Introduction

Foreign Portfolio Investment (FPI) is the cross border flow of investible funds from the investors' country to the host economy in order to take advantage of global differential rates of return to investment (Bakare-Aremu, 2019). It could also be described as the investment in equities (i.e. stocks and shares) of the host country undertaken by the foreign investors. Foreign portfolio investment has however been seen as a formidable financial mechanism to augment the saving gap or deficit in the host economy (most especially developing or underdeveloped economy). Due to this gap mending mechanism of FPI it was generally observed that it could be the catalysts to achieving industrial growth

in an economy, and by implication economic growth. However, in line with the new global trend that brought about a paradigm shift in international investment flows occasioned by a number of factors that caused a drift that favourably shifted foreign portfolio investment direction towards emerging economies. At the turn of the last century, foreign investors shifted their investments towards the emerging economies, due to new opportunities both in Greenfield and Brownfield. Africa poised to enjoy this paradigm shift but the pre-requisites is still inadequate, the fact that sound and efficient capital market is important and inevitable, so is the level of domestic investment, sound business environment, legal and institutional framework, social and

infrastructural facilities, stable polity devoid of any kind of crises, and stable macroeconomic environment devoid of any kind of shocks except inadvertent.

From the global FPI, Africa needs 14 per cent to augment its business (investment) financial deficits, but less 5 per cent is readily available, (IFC, 2019). This is due to global level of competitive for these foreign funds, the most preferred destinations for these funds are the Asia, Europe, Southern and Northern America, because of the adequate availability of the aforementioned factors. It is noteworthy that portfolio investment is the largest component of total capital inflow to Nigeria, in the first quarter of 2018 the total value of portfolio investment was \$4,565.1million, which was 1,335.66% growth compare to the first quarter of 2017 that was also 31.27% growth lower when compare to the last quarter of 2017(NBS, 2018). In 2019 first quarter the FPI inflow was \$1,382.4billion while the second quarter 2019 recorded an inflow of 7,147.92 billion naira, an increase of about 417.1%when compared to previous years, one can confidently say that FPI in Nigeria is growing and that the trend is good for the economy. However, how much of this financial instrument goes to the real sector of the economy? Most foreign equities investment goes to the sector with higher returns and fastest payback period where profits or gains can be quickly repatriated.

On the other hand, the non-oil industrial sector of the Nigerian economy largely constitutes the real sector of the economy and partly serves as macroeconomic indicator for measuring the development level of the economy. This industrial sector is key to the development of any country and essentially consumes enormous financial resources, but, most developing Nations are faced with acute shortage of domestic financial resources to meet the ever increasing investment demand, while succor could come through external fund, particularly foreign portfolio investment whose inflows depend on how well developed the domestic capital market is, among others. It is equally noted in the development thesis that inadequate domestic financial resources to meet the required level of domestic investment (i.e. saving gap) is a major menace bewildering most developing and undeveloped economies. This economic hubbub requires external financial resources to augment the deficit investment or to bridge the saving gap and put the economy on the path of growth. Therefore, foreign portfolio investment is one of the various potent ways of outsourcing financial resources to ease the domestic financial stress occasioned by low savings and income. However, within the theoretical postulate of McKinnon and Shaw (1973), this study investigates the empirical link between

foreign portfolio investment inflows and the non-oil industrial sector development in Nigeria, using both descriptive and econometric methods of analyses and data that spanned 1986 through 2018.

The study poised to resolve the hanging economic discourse that most foreign investment goes to most attractive domestic investment in term of profitability and payback period. However, this paper is structured into five sections. Following the introductory section, is section two which is the literature review, methodology is section three, section four is the results and discussions and section five concludes the paper.

### Literature Review

Effiong, Odey and Nwafor (2019) investigate the nexus between globalization, foreign direct investment and industrial sector development in Nigeria. They used trade openness and current account balance to proxy globalization while foreign portfolio investment was used to represents foreign direct investment. However, their findings showed a positive relationship between foreign direct investment and the Nigeria industrial sector. The methodology adopted was error correction modeling with pre-estimation tests of stationary test, cointegration test, with the data that spanned 1981 through 2017. In a related study, Mustapha, Abdullahi and Sagiru (2017) examine the impact of both oil and non-oil foreign direct investment on economic growth in Nigeria for the period 1980-2016. They employed autoregressive distributed lag approach to cointegration and conditional EC Model to ascertain the long-run and short-run dynamics relationship between the two categories of foreign direct investment. The bound cointegration test established that there is existence of long-run relationship among the variables and the results of both short-run and the long run elasticities shows that non-oil had direct or positive relationship with growth but that of oil-FDI has inverse relationship.

Another study by Kanu, Nwaimo, Onyechere and Obasi (2017) examine the contribution of foreign direct investment to the overall economic activities in Nigeria using a disaggregated approach in relation to industrial sector. The study disaggregate industrial sector to (industries, manufacturing and minning). The results reveal that FDI is positively related to minning both in the short-run and long-run, while the reverse is the case for other sectors. The study further intimates that oil being part of mining sector contributed to the positive impact the minning sector has on the economic growth and warned that the expected spillover effect of FDI did not come up from the minning sector. Therefore, that Nigeria should not rely on the FDI as a growth stimulating strategy.

In the quest for sustainable development attainment in Nigeria, Akinmulegun (2018) sees investment as a catalyst and prerequisite for economic growth and development in Nigeria and believes that a developed and sustained industrialization is imperative. He then examines the impact of foreign capital investment – growth process in line with capital market development which he sees as the main mechanism through which investible fund could be flown into the economy. With the adoption of vector error correction mechanism (VECM), as methodology, the results thereafter indicates that market capitalization (a – proxy for capital market development) is having inverse and statistically significant effect on portfolio investment inflows. He however called on government and it is agents to expedite action on how to improve the statuesque.

Because of a prolong or almost intractable industrialization tussle in Nigeria, Chete, Adeoti, Adeyinka and Ogundele (2015) examine the historical development of the Nigeria industrial sector, focusing on its main challenges and the strategies to achieve greater global competitiveness in the production of processed and manufactured goods which was anchored on linking industrial activity with primary sector activity cum domestic and foreign trade and service activities. A similar but empirically diverse study was carried out by Akpan and Eneke (2017) to consider through empirical expedition the nexus between foreign direct investment (FDI) and the industrial sector performance in Nigeria and by implication on the growth of the gross domestic investment (GDP). The vector autoregressive results from variance decomposition and impulse respond show that FDI had slight significant positive impact on GDP, while the estimate of the model revealed that FDI has an insignificant positive effect on industrial sector in Nigeria.

Tumala, Ajibola, Omotosho and Baruwa (2012) took a survey of the Nigerian foreign assets and liabilities using a non-parametric approach. The available information from this survey showed that total claims (liabilities) on the Nigerian economy was N12, 729.66 billion in 2011 as against N11,681.32 billion recorded in previous year, a growth 8.97 per cent. However, the breakdown of the figures showed 74.8% came in as direct investment while portfolio investment represents 10.3% and other capital flows stood at 14.9%. In a seemingly related study on how on best could anyone undertake investment decision in Nigeria, Onyema (2018) examines the strengths, weaknesses, opportunities and threats (SWOT analysis) of investing in Nigeria (the largest

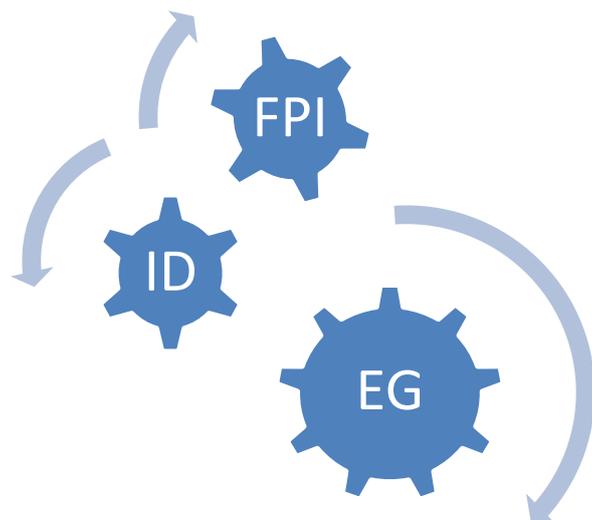
economy in Africa). He observed that despite the existence of some challenges and weaknesses in doing business in Nigeria that the opportunity is enormous and that the future is very bright for Nigeria.

In line with the global claim about the efficacy of foreign portfolio investment on the manufacturing sector, that FPI provides funds to bridge the gap created by inadequate domestic saving, the trio Danmola, Olateju, and Aminu (2017) examine the impact of foreign investment on the Nigeria manufacturing sector, using macroeconomic dataset that spanned the year 1980-through 2016, and econometric method of vector autoregressive distributed lag model. The results of this empirical study found that, foreign investment has direct and statistically significant relationship with the output of the manufacturing sector in Nigeria and conclude that domestic level of investment is a pre-requisite for the foreign flow of investment using impulse response and variance decomposition. However, none of the earlier studies looked at the entire industrial sector in Nigeria in relation to portfolio investment inflows, which is the major focus of this study.

### **Theoretical Underpinning and Conceptual Framework**

#### **Conceptual Framework**

The concept of foreign portfolio investment could be hub under the financial liberalization thesis. Because financial liberalization thesis was orchestrated essentially to free unused or underutilized funds from saturated financial market at home to take advantage of interest rates differential until the word will have equilibrium rate of interest. Financial liberalisation (FL) refers to the deregulation of domestic financial markets and the liberalisation of the capital account. The effect of FL is inconclusive, because it often generates some empirical debates. In one view, it strengthens financial development and contributes to higher long-run growth. In another view, it induces excessive risk-taking, increases macroeconomic volatility and leads to more frequent crises (Romain, 2007). However, the proponent of FL have it has being an avenue to outsource finances that are inadequate at home front for industrial development and economic growth. Such that industrial development attracts foreign portfolio investment through attractive returns on investment or higher interest rates. In turn, foreign portfolio investment will lead to the industrial sector development with additional funding, which will subsequently lead economic growth and development. As illustrated in the figure 1 below<sup>1</sup>;



Source: Author's Design (2019)

### Theoretical Background

There are three basic theories that are seemingly unrelated but relevant to this research study namely;

i. **Financial Liberalization Theory:-** As discussed earlier Financial liberalisation (FL) was proposed by McKinnon (1973) and Shaw (1973) in their individual but simultaneous thesis and was refer to the deregulation of domestic financial markets and the liberalisation of the capital account. in their view it meant the follow:

- a) Market-determined interest rates
- b) Greater ease of entry into the banking sector to encourage competition
- c) The elimination of directed credit programmes
- d) Reduced fiscal dependence of the state on credit from the banking system (to allow for greater expansion of credit to the private sector)
- e) The integration of formal and informal markets
- f) A movement towards equilibrium exchange rates and, eventually, flexible exchange rate regimes with open capital accounts

Initiatives (a)-(e) are effectively domestic financial liberalisation, while (f) extends liberalisation to external finance which is the primary concern of this study. Furthermore financial liberalization involves both domestic financial sector development and external flows of investment by both citizenry of Nigeria, and that of the rest of the world. So, financial liberalization theory is highly suitable for a study of this nature that essentially considered external funds (savings and investment) impact on the non-oil industrial sector in Nigeria.

ii. **International Dependency Theory:-** Dependency theory was a response to research

by Raul Prebisch who found that increase in the wealth of the richer nations appeared to be at the expense of the poorer ones. In its extreme form, dependency theory is based on a Marxist view of the world, which sees globalisation in terms of the spread of market capitalism, and the exploitation of cheap labour and resources in return for the obsolete technologies of the West. The dominant view of dependency theorists is that there is a dominant world capitalist system that relies on a division of labour between the rich 'core' countries and poor 'peripheral' countries. Over time, the core countries will exploit their dominance over an increasingly marginalised periphery. Dependency theory advocated an inward looking approach to development. In essence this theory does not support reliance of domestic economy on foreign nations most especially the developed world.

iii. **Macroeconomic Growth Model:-** The growth The main variable of the macroeconomic

growth model is the Gross Domestic Product (GDP), which is disaggregated to its summative components units. These aggregate units are the variables in the circular flow of income that play individual role in the growth of the economy. These variables are; **the firm** that produces goods and services and sell to Household, Government, and the External sector. Receives payments for goods sold and services rendered, therefore pay for importation, and for factor incomes (profit, interest, rent, wages and salaries) to the household for hiring their factor services. In turn the household pays income tax to the Government, while she also receives corporate profit tax from the firms. **The households** generate both private consumption expenditure ( $C_p$ ) and investment expenditure ( $I_p$ ). the next is the **Government Sector** that generates government consumption expenditure ( $C_G$ ) and government

investment expenditure ( $I_G$ ), the last is the **External Sector** this has to do with exports ( $X$ ) and imports ( $M$ ) of goods and services, which includes factor services, also involves balance of payments and foreign capital inflow or outflow.

Establishing Equilibrium State of the Macroeconomic Growth Model

At equilibrium aggregate supply is always equal aggregate demand, since no factor inputs receives income until what was sold are paid for. Therefore:

$$AS = AD \text{ i. e. } Y = C + I + G + (X - M) \text{ ----- (1)}$$

$$Y = (C_{Pt} + C_{Gt}) + (I_{Pt} + I_{Gt}) + (X_t - M_t) \text{ ----- (2)}$$

Therefore the equilibrium growth model could be summarised as:

$$Y = C_t + I_t + (X_t - M_t) \text{ ----- (3)}$$

However, to show that growth of any economic really depend on the level of their industrialization, this study makes investment the subject formula to have:

$$I_t = (Y_t - C_t) + (M_t - X_t) = S_t + F_t \text{ ----- (4)}$$

Where *aggregate savings is*

$$S_t = Y_t - C_t \text{ ----- (5)}$$

And foreign capital inflow is

$$F_t = M_t - X_t \text{ ----- (6)}$$

If investment is proxy by non-oil industrial output that is output of firms in non-oil industries, then basically the model implicitly will be:

$$NOIDQ = F(GNS, FPI) \text{ ----- (7)}$$

**Methodology**

The Ordinary Least Square (OLS) technique was used to estimate the effect of foreign private investment on non-oil industrial sector in Nigeria through estimation of Nigerian firm's investment function. However, a pre-estimation test was carried-out to filter and smooth the dataset owing to the nature of time series data. The unit root test (Augmented Dickey Fuller (ADF)) and Philip Perron were employed to filter and smooth the dataset, while Autoregressive Distributed Lag model bound test was applied to establish whether or not there is existence of long run relationship among all the variables. All the data used in this

study were obtained from Central Bank of Nigeria (CBN) statistical bulletin (2018).

This study therefore hypothesized that there is no significant relationship between foreign portfolio investment and non-oil industrial sector in Nigeria. Using econometrics method known as Autoregressive Distributed Lag Model (ARDL).

Adopting the macroeconomic growth model equilibrium level and beginning with its implicit function in equation (7) through its long run explicit and static linear relationship in equation (8), and the short run dynamics relationship in equation (9), which are to be estimated.

Explicitly, in a long run form with expansion in its dependent variables, equation (7) could be written as;

$$NOIDQ_t = \varphi_0 + \varphi_1 FPI_t + \varphi_2 GNS_t + \varphi_3 EXR_t + \varphi_4 IRS_t + \varphi_5 INF_t + \cup_t \text{ --- (9)}$$

$$LNOIDQ_t = \varphi_0 + \varphi_1 LFPI_t + \varphi_2 LGNS_t + \varphi_3 EXR_t + \varphi_4 IRS_t + \varphi_5 INF_t + \cup_t \text{ --- (10)}$$

While the short run dynamic model is presented in equation (11)

$$\begin{aligned} \Delta LNOIDQ_t = & \varphi_0 \\ & + \sum \theta \Delta LNOIDQ_{t-1} \\ & + \sum \theta \Delta LNOIDQ_{t-2} \\ & + \sum \beta_1 \Delta IRS_t \\ & + \sum \beta_2 \Delta IRS_{t-1} \\ & + \sum \beta_3 \Delta IRS_{t-2} \\ & + \sum \gamma_1 \Delta LFPI_t + \sum \gamma_2 \Delta LFPI_{t-1} + \sum \gamma_3 \Delta LFPI_{t-2} + \sum \varphi_1 \Delta EXR_t + \sum \varphi_1 \Delta EXR_{t-1} \\ & + \omega_1 \Delta LGNS_t + \omega_2 \Delta LGNS_{t-1} + \partial_1 \Delta INF_t + \delta ECV - - (11) \end{aligned}$$

**Table 1: Presentation and Discussion of Empirical Results**

Table1: Augmented Dickey Fuller Unit Root Test (The Test for Stationarity of Variables)			
Variables	ADF statistics @ Level	ADF statistics @ First Difference	Order of Integration
EXR	1.607707	-4.603363***	I(1)
LNOIDQ	-8.714488***	-11.093446**	I(0)
INFR	-2.58433	-5.563702***	I(1)
IRS	-2.888214	-7.521825***	I(1)
LFPI	0.918559	-6.218253***	I(1)
LGNS	-1.535274	-4.916163**	I(1)

Source: Author’s Computation via E-view 8.0.

Table 1 shows the results of the stationarity tests at both the level and the first difference for all the variables in the model. The study applies constant, intercept and trend term in these tests as appropriate. The optimal lag length of each variable is chosen, using the Schwarz information criteria (SIC). As specified in Table 1, only one of the variables was stationary at level but after taking the first difference of other variables they became stationary. This is

shown by ADF calculated statistics for all the variables, which is greater in absolute term than the ADF critical value at either 1 or 5 per cents level of significant (or both), as denoted by \*\*\* and \*\*, respectively. This imply that the variables in the model are integrated of order 0 and 1, denoted by I(0) and I(1). The study further carried out a cointegration test, using the ARDL Bound’s test. This result is shown in Table 2 as follows:

**Table 2: ARDL Bounds Test (Cointegration Test)**

ARDL Bounds Test

Date: 22/08/19 Time: 18:30

Sample: 1983 2018

Included observations: 35

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	6.988148	5

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: Author’s Computation via E-view 9.0.

As shown in Table 2, the null hypothesis of no co-integration is rejected, as the value of F-statistics is greater than the critical Bound (I0) and (I1) at all the significant level. Therefore this study report co-integration of all variables at one per cent level of significant. The results imply the existence of long-

run relationship among the variables in the models. However, since the variables in the model are integrated in order of zero and one (i.e.I(0); I(1)), then the autoregressive distribute lag is implied. The ARDL result is presented in Table 3 for the Investment function.

**Table 3: Autoregressive Distributed Lag Model Results**

Dependent Variable: LGDS

Dependent Variable: D(LNOIDQ)

Method: ARDL

Date: 02/07/19 Time: 18:29

Sample (adjusted): 1983 2017

Included observations: 35 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (1 lag, automatic): D(LGDP) D(FDP) D(IRS) D(INFR)

D(EXR)

Fixed regressors: C

Number of models evaluated: 32

Selected Model: ARDL(1, 1, 1, 1, 0, 0)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
D(LNOIDQ(-1))	-0.340676	0.200347	-1.700433	0.1015
D(LFPI)	0.003438	1.641738	-0.616111	0.3434
D(LFPI(-1))	1.892758	1.129828	3.675262	0.0063
D(GNS)	-16.32701	9.224878	-1.769889	0.0589
D(GNS(-1))	26.30680	9.953224	2.643043	0.0140
D(IRS)	0.051865	0.155472	0.333594	0.7415
D(IRS(-1))	0.285985	0.154936	1.845823	0.0468
D(INFR)	-0.017103	0.027951	-0.611874	0.5461
D(EXR)	-0.080656	0.037315	-2.161473	0.0404
C	0.016213	0.568759	0.028505	0.9775
R-squared	0.766044	Mean dependent var		-0.182480
Adjusted R-squared	0.692219	S.D. dependent var		3.002067
S.E. of regression	2.698156	Akaike info criterion		5.057971
Sum squared resid	182.0012	Schwarz criterion		5.502356
Log likelihood	-78.51449	Hannan-Quinn criter.		5.211372
F-statistic	3.898959	Durbin-Watson stat		2.231287
Prob(F-statistic)	0.052370			

Source Author.s Computation (2018)

The dynamic ARDL models' result of NOIDQ function in Nigeria is presented in Table 3. It is the short run non-oil industrial output (NOIDQ) model, and it takes into consideration the structural instability of individual variables and the adjustment process to long run equilibrium since they are linearly integrated. The result reveals that interest rate liberalization policy promote NOIDQ in the short run though not statistically significant but a year lag of this policy reflects a persistence effect and shows that the policy actually become potent after a period of one year, because it is not only positive but also statistically significant. Also, foreign portfolio investment (a year lag) shows

persistence effect and thus promote NOIDQ and highly statistically significant at 1 per cent level. The interest rate deregulation policy has positive but insignificant relationship with the non-oil industrial sector in Nigeria, the relationship is expected to be positive as it were, but the shortcoming here is that it is insignificant. The economic implication is that interest rate deregulation policy has limited impact in promoting NOIDQ in Nigeria in the short run, this could be as a result of some distortions via quasi regulations from fiats and inconsistency in the adoption of the policy. Conversely, the gross national savings (GNS) support the NOIDQ as

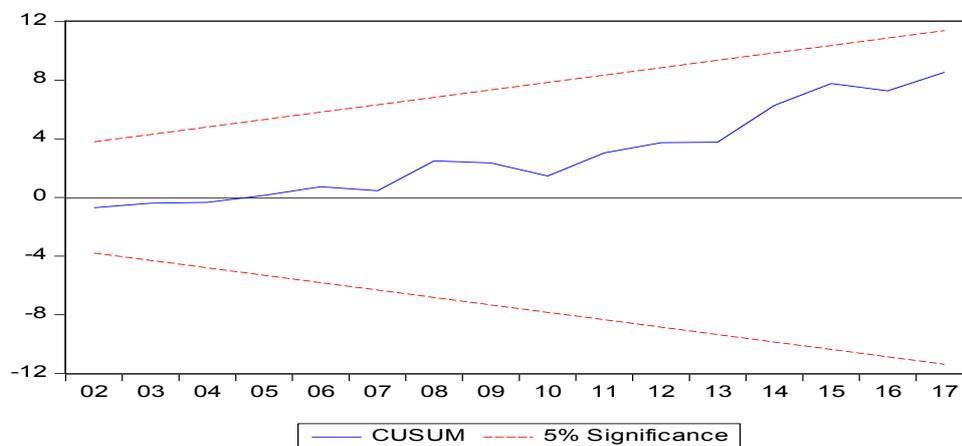
propounded by the Classical School of thought, that investment is a function of savings.

On the other hand, exchange rate and inflation rate have theoretically expected signs, while the former is statistically significant 5 per cent, the latter is insignificant. Both inflation and exchange rate are inversely related to the non-oil industrial output (NOIDQ). Therefore, higher inflation rate will reduce saving mobilization and by implication investment (NOIDQ), likewise the exchange rate but the reverse is also true for both rates.

On statistical ground, the R-square and adjusted R-square shows that 76% variation in non-oil industrial

output (NOIDQ) in Nigeria is explained by all included explanatory variables, and that if other variables that influences NOIDQ are put into consideration, the included variables in this model will still explain 69% variation in it, in Nigeria . The F-statistics shows robustness of the model at 1 per cent level of significant. The comparison of Durbin Watson statistics with R-square value show that the short run model as estimated is not spurious and thus is reliable. The Durbin Watson statistics further shows no autocorrelation or serial correlation in the model.

**Post Estimation Tests**



**Fig. 1: Cusum Stability Test Result**

The Figure 1 shows that the plot of Cusum for the model under study are within the five per cent critical bound as indicated by the two lines that bounded the trend curve. The implication of this, for

the model is that the parameters of the models do not suffer from any structural instability over the period of study.

**Table 4: Serial Correlation LM Test: (Model 1)**  
Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.638947	Prob. F(2,14)	0.9906
Obs*R-squared	0.757247	Prob. Chi-Square(2)	0.5196

The Breusch-Godfrey serial correlation test is use to test for existence of autocorrelation in the model. The null hypothesis is that there is no serial or autocorrelation, the results in Table 5 and 6 show absence of autocorrelation because the F-statistics is not significant at five per cent level. Therefore, the study shall accept the null hypothesis of no serial correlation in the model..

**Conclusion and Recommendations**

This study support the macroeconomic growth model that FPI spur investment proxy by non-oil industrial output, also savings is a stimulant of investment in Nigeria and statistically significant. The interest rate has positive but insignificant effect on non-oil industrial output. On the financial prices, that is, inflation, exchange, interest rates influenced investment in the short and could also be in the long run. However, the classical argument of investment being a function saving level was upheld. Also,

foreign portfolio investment (a year lag) shows persistence effect and thus promote non-oil industrial sector in Nigeria (NOIDQ) and highly statistically significant at 1 per cent level. The interest rate deregulation policy has positive but insignificant relationship with the non-oil industrial sector in Nigeria, the relationship is expected to be positive as it were, but the shortcoming here is that it is insignificant. The economic implication is that interest rate deregulation policy has limited impact in promoting NOIDQ in Nigeria in the short run, this could be as a result of some distortions via quasi regulations from fiats and inconsistency in the adoption of the policy

This study concludes that more are still needed to be done by government and financial institutions in aspect of foreign portfolio attraction into Nigeria and putting the right interest rate policy in place to further spur savings and improve investment.

In line with the findings of this study, the following recommendations are made;

1. The government through Central Bank of Nigeria should allow free interplay of demand and supply to determine both deposit and lending rates without fixing a limit; same should be adopted for exchange rate with minimal management.
2. More FPI could be attracted if the polity is stable; there are adequate infrastructural facilities; and enabling business environments.
3. Law should be made to prevent freely repatriation of gains because of its volatile consequences on the economy.
4. Government should strengthening the regulatory framework of financial liberalization, to enhance both money and capital market development through application of managed deregulation policy and other strategies.

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