DETERMINATION OF LONG TERM RELATIONSHIP BETWEEN FOREIGN PRIVATE INVESTMENT AND GROSS DOMESTIC PRODUCT USING COINTEGRATION

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ABSTRACT

This study examines the long run relationship between Foreign Private Investment (FPI) and Gross Domestic Product (GDP) using cointegration between the period 1965-2012. Secondary data from Central Bank of Nigeria was used in order to achieve the objective of this study. The data was analyzed using E-View 6.1 version for unit root test, granger causality, Cointegration. The result of the unit root in tables 1 and 2 show that the series is stationary at I(1) as in figure 2. Granger causality test in table 3 reveal that granger causality is unidirectional i.e. GDP granger caused FPI with p-values of 0.0394 which is less than 0.05 while FPI does not granger cause GDP. The result of Cointegration test as presented in Table 4 shows the existence of one Cointegrating equation from Likelihood Ratio test (L.R) at 5% significance level which indicates the present of long run relationship between GDP and FPI.

KEYWORDS: Unit Root, Granger Causality, Cointegration, GDP, FPI