

Trade Liberalization and Domestic Private Investment in Nigeria

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Abstract : This paper investigated the effect of trade liberalization on domestic private investment in Nigeria from 1981 to 2020. To achieve this objective, secondary data on domestic private investment, trade openness, exchange rate and interest rate were sourced from the statistical bulletin of Nigeria's apex bank. The Autoregressive Distributed Lag (ARDL) technique was used as the main analytical tool. The ARDL Bounds test revealed the existence of long run association among the variables. The results revealed that trade openness and exchange rate have positive and insignificant relationship with domestic private investment both in the long and short runs. At the same time, interest rate has negative relationship with domestic private investment both in the long and short runs. Therefore, it was concluded that there is no significant relationship between trade openness, exchange rate, interest rate and domestic private investment in Nigeria during the period of study. Based on the findings, the study recommended that government should formulate trade policies that will encourage the growth of domestic private investment in Nigeria. To achieve this, government should ensure consistency in trade policies and at the same time strengthen the existing policies to build investors' confidence. Also, government should make available an investment-friendly environment, as well as monitor real sector operators to ensure that foreign exchange allocations are not diverted. Government should increase capital investment in education, housing, transportation, agriculture, health, power, road construction, national defense, among others that will help the various sectors of the economy to function very well thereby making the business environment friendly thereby enhancing the growth and development of the country.

Keywords : trade openness, domestic private investment, ARDL, exchange rate

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