



FUTIFMS International Conference

Foreign Portfolio Investment and Inclusive Growth in Nigeria

By

¹Oyelekan, Azeez, A., ²Taiwo, Akeem. A., ³Omoyiola, Adekunle. O. & Jimoh, Lukman

^{1,3&4}*Department of General Studies, Federal University of Technology, Ilaro (FUTI), Ogun state, Nigeria*

²*Department of Business Administration and Management, Federal University of Technology, Ilaro (FUTI), Ogun state, Nigeria².*

*azeez.oyelekan@federalpolyilaro.edu.ng¹; akeem.taiwo@federalpolyilaro.edu.ng²;
adekunle.omoyiola@federalpolyilaro.edu.ng³; lukman.jimof@federalpolyilaro.edu.ng⁴
+2348164597517; +2348030775120; +2348024774769; +2348130576020*

Abstract

This study examined the impact of foreign portfolio investment on inclusive growth in Nigeria for the period 2010 to 2024. The specific objectives were to examine the impact of total portfolio investment on gross domestic product per capita, determine the relationship between market capitalization and gross domestic product per capita, and evaluate the impact of exchange rate on gross domestic product per capita in Nigeria. The study employed an ex post facto research design with secondary data sourced from the Central Bank of Nigeria Statistical Bulletin. The data were analysed using multiple regression analysis with the aid of EViews 13. The findings revealed that total portfolio investment had a negative and statistically insignificant impact on gross domestic product per capita ($\beta = -6.32E-10$, $p = 0.8744$). Market capitalization had a positive and statistically significant relationship with gross domestic product per capita ($\beta = 1.18E-08$, $p = 0.0008$). Exchange rate exhibited a negative but statistically insignificant impact on gross domestic product per capita ($\beta = -3.03E-07$, $p = 0.1701$). The overall model was statistically significant with an R-squared of 0.916 and F-statistic of 39.98 ($p = 0.000003$). The study concluded that market capitalization significantly enhances inclusive growth, while total portfolio investment and exchange rate do not exert statistically significant effects. The study recommended deepening the capital market, channeling portfolio investment toward productive sectors, and pursuing exchange rate stability.

Keywords: Exchange Rate, Foreign Portfolio Investment, GDP Per Capita, Inclusive Growth, Market Capitalization.

1. Introduction

The increasing globalization of financial markets has significantly altered the dynamics of capital flows across nations, particularly in developing economies where external capital serves as an important supplement to domestic savings and investment (Obstfeld, 2021). Foreign portfolio investment has expanded remarkably since the wave of financial liberalization that began in the 1980s and intensified in the 1990s (Ezeaku and Asongu, 2024). Theoretically, foreign portfolio investment is expected to facilitate capital accumulation, improve market efficiency, promote risk diversification, and strengthen financial sector development (Ehigiamusoe and Lean, 2019). Inclusive growth has become increasingly important in contemporary development discourse



FUTIFMS International Conference

because traditional measures of economic growth have often failed to address issues of inequality, unemployment, poverty, and social exclusion (Anand, Mishra and Peiris, 2019). GDP per capita is widely regarded as a more suitable indicator for assessing welfare improvement and inclusive economic progress because it reflects average income levels and standards of living within a country (Ianchovichina and Lundstrom, 2020).

Nigeria represents one of the most important destinations for foreign portfolio investment in Africa due to the size of its economy, population, and financial market potential (Afolabi, Olanrewaju and Ogundipe, 2022). Despite the increasing inflow of foreign portfolio investment, the country continues to experience persistent economic challenges including widespread poverty, unemployment, income inequality, and low living standards (Okonjo-Iweala and Osafo-Kwaako, 2020). Although Nigeria has recorded periods of positive economic growth, such growth has often failed to produce commensurate improvements in the welfare of the majority of the population (Ogujiuba, Ehigiamusoe and Udefuna, 2023). Empirical studies on the relationship between foreign portfolio investment and economic growth in Nigeria have generated conflicting findings (Bitrus, Likita and Mai Lafia, 2026; Akinwale and Adekunle, 2023). Furthermore, many previous studies concentrated primarily on aggregate GDP while paying limited attention to inclusive growth indicators such as GDP per capita (Olaniyi and Oladeji, 2021). Limited studies have simultaneously examined the combined effects of total portfolio investment, market capitalization, and exchange rate on inclusive growth (Uwubanmwun and Ogiemudia, 2022).

Despite the increasing volume of foreign portfolio investment inflows, the country continues to experience weak inclusive growth outcomes. A major problem is the increasing dominance of short term and highly volatile portfolio capital inflows within the financial system. Although market capitalization has expanded significantly, the growth of the financial market has not adequately translated into broad based economic inclusion. Existing studies have produced conflicting findings regarding the relationship between these variables and economic growth in Nigeria (Osuka, Ezedike and Mbanasor, 2022; Bitrus, Likita and Mai Lafia, 2026). Consequently, there remains insufficient empirical evidence on how total portfolio investment, market capitalization, and exchange rate collectively influence inclusive growth in Nigeria.

The main objective of this study is to examine the impact of Foreign Portfolio Investment on Inclusive Growth in Nigeria. The specific objectives are to:

- i. examine the impact of Total Portfolio Investment on Gross Domestic Product Per Capita in Nigeria.
- ii. determine the relationship between Market Capitalization and Gross Domestic Product Per Capita in Nigeria.
- iii. evaluate the impact of Exchange Rate on Gross Domestic Product Per Capita in Nigeria.

Foreign portfolio investment refers to the acquisition of financial assets such as stocks, bonds, and other securities in a foreign country by investors who do not seek direct managerial control (Afolabi, Olanrewaju and Ogundipe, 2022). Total portfolio investment represents the aggregate monetary value of all cross-border transactions in equity and debt securities (Ekeocha, Malaolu and Oduh, 2021). Adeniyi, Oyinlola and Omisakin (2020) identified macroeconomic stability, interest rate differentials, and institutional quality as principal determinants of total portfolio investment inflows. Akinlo and Egbetunde (2020) found that total portfolio investment exerts a positive effect on output growth, though Olaniyi and Oladeji (2021) observed that gains are often concentrated among high-income individuals.



FUTIFMS International Conference

Market capitalization refers to the total monetary value of all outstanding shares of companies listed on a stock exchange (Onyeisi, Odo and Anoke, 2021). Taiwo, Alaka and Afieroho (2020) identified GDP, inflation, interest rate, and exchange rate as key macroeconomic variables that influence market capitalization in Nigeria. Osuji and Chigbu (2020) found that market capitalization positively influences real GDP. However, Onoh, Ibekwe and Dimgba (2021) argued that stock market participation in Nigeria is concentrated among urban and affluent segments, limiting the translation of market capitalization growth into broadly shared prosperity.

The exchange rate is the price at which one country's currency is traded for another (Obi, Oniore and Nnadi, 2020). Olatunji and Oshodi (2021) found that exchange rate depreciation exerts a negative effect on growth in the short run due to increased import costs. Adetiloye and Olaniran (2022) observed that the pass-through effect of exchange rate depreciation to consumer prices is particularly strong in Nigeria. Obansa, Okoroafor, Aluko and Eze (2021) found that exchange rate volatility has a significant negative effect on per capita income in Nigeria.

Inclusive growth refers to economic growth that creates opportunities for all segments of the population and distributes dividends equitably (Anand, Mishra and Peiris, 2019). GDP per capita is widely used as a proxy for inclusive growth because it captures the average standard of living (Ianchovichina and Lundstrom, 2020). In Nigeria, Ogujiuba, Ehigiamusoe and Udefuna (2023) observed that despite recording positive growth rates, the country has struggled to achieve inclusive growth as evidenced by rising poverty and inequality.

Ogege and Biirane (2025) examined the impact of capital market performance on foreign portfolio investment in Nigeria over 1987 to 2023. The findings revealed significant positive relationships between market capitalization and foreign portfolio investment, with an adjusted R-squared of 0.985. Exchange rate fluctuations also significantly influenced foreign portfolio investment inflows.

Abubakar (2024) examined the impact of foreign portfolio investment on economic growth in Nigeria from 1986 to 2023 using OLS and Granger Causality. The regression analysis revealed that foreign portfolio investment has a positive and significant impact on GDP, while exchange rate also demonstrated a positive and significant impact.

Egbaseimokumo (2024) examined the effect of exchange rate on the economic growth of Nigeria for 1986 to 2023 using the ARDL model. The findings revealed that exchange rate had significant effects on real GDP. The study concluded that exchange rate significantly determines economic growth in Nigeria.

Nguyen and Poczta-Wajda (2024) explored the nexus between FDI, trade openness, exchange rate, and GDP per capita in Vietnam between 1986 and 2020 using ARDL bounds testing. The findings indicated that FDI and trade openness positively influence GDP per capita, while the exchange rate exhibited a significant but negative effect.

Ofori and Asongu (2022) investigated the effects of FDI and governance on inclusive growth in 42 Sub-Saharan African countries over 1990 to 2020 using the GMM technique. The findings revealed that FDI has a positive and significant effect on inclusive growth, enhanced in the presence of good governance.

Ndugbu, Otiwu and Uzowuru (2021) examined the relationship between foreign portfolio investment and economic growth in Nigeria from 1986 to 2017. The findings revealed that trade openness and market capitalization proved significant in promoting economic growth while foreign portfolio investment had a negative and insignificant effect.



FUTIFMS International Conference

Otapo and Adekunle (2020) investigated the dynamic effects of foreign portfolio investment on economic growth in Nigeria from 1986 to 2018 using ARDL bounds testing. The findings indicated that foreign portfolio investment has a positive and significant effect on economic growth in the long run, while exchange rate exhibited a negative influence.

2. Methodology

This study employed an ex post facto research design. The sample size covered 15 years ranging from 2010 to 2024 based on total variable availability. Secondary data were sourced from the Central Bank of Nigeria Statistical Bulletin. Inclusive growth was measured by Gross Domestic Product Per Capita (GDPPC) as the dependent variable, while Foreign Portfolio Investment was proxied with Total Portfolio Investment (TPI), Market Capitalization (MAC), and Exchange Rate (EXR) as the independent variables. The data were analysed using the multiple regression model with the aid of EViews (Version 13). The model is specified as:

$$GDPPC_t = \beta_0 + \beta_1 TPI_t + \beta_2 MAC_t + \beta_3 EXR_t + \mu$$

Where GDPPC = Gross Domestic Product Per Capita, TPI = Total Portfolio Investment, MAC = Market Capitalization, EXR = Exchange Rate, β_0 = Constant Term, β_1 - β_3 = Coefficients, μ = Error term.

3. Results and Discussion

Table 1: Descriptive Statistics

	GDPPC	TPI	MAC	EXR
Mean	0.000632	8013.311	32623.60	363.485
Std.Dev.	0.000244	5773.340	27679.12	337.655
Min	0.000328	1153.004	9918.210	150.298
Max	0.001157	19140.20	109258.8	1478.97
J-B Prob.	0.4648	0.4762	0.0071	0.0000
Obs.	15	15	15	15

Source: EViews 13, 2026

Table 1 presents the descriptive statistics. GDPPC recorded a mean of 0.000632 with low dispersion (SD = 0.000244). TPI averaged 8,013.311 with substantial variation (SD = 5,773.340). MAC had a mean of 32,623.60 with high variability, while EXR averaged 363.485 with considerable volatility. The Jarque-Bera probability values indicate that GDPPC and TPI are normally distributed while MAC and EXR deviate from normality.

Table 2: Covariance Analysis

	GDPPC	TPI	MAC	EXR
GDPPC	1.0000			
TPI	-0.2840 (0.3050)	1.0000		
MAC	0.9475 (0.0000)	-0.2565 (0.3560)	1.0000	
EXR	0.8582 (0.0000)	-0.1796 (0.5218)	0.9500 (0.0000)	1.0000

Source: EViews 13, 2026

Table 2 shows that GDPPC has a strong positive and significant relationship with MAC ($r = 0.9475$, $p = 0.0000$) and EXR ($r = 0.8582$, $p = 0.0000$). TPI exhibits a weak negative and



FUTIFMS International Conference

insignificant relationship with GDPPC ($r = -0.2840$, $p = 0.3050$). MAC and EXR demonstrate a very strong positive and significant relationship ($r = 0.9500$, $p = 0.0000$).

Table 3: Regression Analysis (Dependent Variable: GDPPC)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.000362	5.06E-05	7.148945	0.0000
TPI	-6.32E-10	3.90E-09	-0.161814	0.8744
MAC	1.18E-08	2.57E-09	4.607729	0.0008
EXR	-3.03E-07	2.07E-07	-1.468196	0.1701
R-squared: 0.915998			Adj. R-squared: 0.893088	
F-statistic: 39.98312			Prob(F): 0.000003	

Source: EViews 13, 2026

The coefficient of Total Portfolio Investment is negative ($\beta = -6.32E-10$) with a probability value of 0.8744, revealing that the effect is statistically insignificant. This finding is consistent with Ndugbu, Otiwu and Uzowuru (2021), who found that foreign portfolio investment had a negative and insignificant effect on economic growth in Nigeria. The result implies that portfolio investments may not be sufficiently channeled into productive sectors capable of generating broad based welfare improvements.

The coefficient of Market Capitalization is positive ($\beta = 1.18E-08$) with a probability value of 0.0008, demonstrating statistical significance at the 1 percent level. This finding corroborates Osuji and Chigbu (2020) and Alajekwu, Inyama and Adesanya (2022), who established that market capitalization positively influences economic growth. The result implies that capital market expansion enhances economic opportunities and supports inclusive growth.

The coefficient of Exchange Rate is negative ($\beta = -3.03E-07$) with a probability value of 0.1701, showing statistical insignificance. This finding aligns with Obansa, Okoroafor, Aluko and Eze (2021), who found that exchange rate volatility negatively affects per capita income. The R-squared of 0.916 indicates that approximately 91.60 percent of variations in GDPPC are jointly explained by the model. The F-statistic of 39.98 ($p = 0.000003$) confirms that the overall model is statistically significant.

4. Conclusion

Based on the findings, Total Portfolio Investment does not significantly improve Gross Domestic Product Per Capita in Nigeria. This suggests that portfolio investment inflows have not translated into meaningful improvements in inclusive growth. Market Capitalization has a significant positive relationship with Gross Domestic Product Per Capita, indicating that capital market development contributes meaningfully to inclusive growth. This is consistent with Osuji and Chigbu (2020) and Alajekwu, Inyama and Adesanya (2022).

Exchange Rate has a negative but statistically insignificant impact on Gross Domestic Product Per Capita. The negative coefficient suggests that exchange rate depreciation may adversely affect inclusive growth through reduced purchasing power and increased economic uncertainty, although the relationship lacks statistical significance. This is in agreement with Obansa, Okoroafor, Aluko and Eze (2021), who found that exchange rate volatility exerts a negative effect on per capita income.



FUTIFMS International Conference

5. Recommendations

- Since Total Portfolio Investment was found to have no significant impact, government authorities should implement policies that encourage the channeling of portfolio investment funds toward productive sectors.
- Given that Market Capitalization has a significant relationship with GDPPC, efforts should be intensified to deepen and expand the Nigerian capital market through more corporate listings, improved market transparency, and stronger investor protection.
- Since Exchange Rate exhibited a negative impact, monetary authorities should pursue policies that promote exchange rate stability.
- Finally, the government should strengthen macroeconomic stability through effective fiscal and monetary policy coordination to ensure that economic growth translates into broader welfare improvements.

References

- Abubakar, S. (2024). Foreign portfolio investment and economic growth in Nigeria. *African Banking and Finance Review Journal*, 18(18), 292-305.
- Adeniyi, O., Oyinlola, M. A., & Omisakin, O. (2020). Determinants of portfolio investment flows to Sub-Saharan Africa. *Journal of African Business*, 21(3), 398-416.
- Adetiloye, K. A., & Olaniran, O. D. (2022). Exchange rate pass-through to consumer prices in Nigeria. *CBN Journal of Applied Statistics*, 13(1), 55-78.
- Afolabi, J. A., Olanrewaju, A. O., & Ogundipe, A. A. (2022). Foreign portfolio investment and capital market development in Sub-Saharan Africa. *Cogent Economics and Finance*, 10(1), 2078459.
- Akinlo, A. E., & Egbetunde, T. (2020). Financial globalisation and economic growth in Sub-Saharan Africa. *Global Business Review*, 21(3), 674-690.
- Akinwale, S. O., & Adekunle, W. (2023). Foreign portfolio investment volatility and macroeconomic performance in Nigeria. *Nigerian Journal of Securities Market*, 8(1), 33-51.
- Alajekwu, U. B., Inyama, O. I., & Adesanya, B. M. (2022). Stock market capitalisation and economic growth in Nigeria. *International Journal of Business and Management Review*, 10(3), 22-38.
- Anand, R., Mishra, S., & Peiris, S. J. (2019). Inclusive growth revisited: Measurement and determinants. *The World Bank Economic Review*, 33(1), 122-144.
- Bitrus, D. J., Likita, J. O., & Mai Lafia, D. I. (2026). Influence of foreign portfolio investment on inclusive growth in Nigeria. *Zaria International Journal of Economics*, 4(1), 112-136.
- Egbaseimokumo, O. P. (2024). The effect of exchange rate on the growth of the Nigerian economy. *International Journal of Research and Innovation in Social Science*, 8(12), 1872-1886.
- Ehigiamusoe, K. U., & Lean, H. H. (2019). Finance-growth nexus: New insights from the West African region. *Emerging Markets Finance and Trade*, 55(11), 2596-2613.
- Ekeocha, P. C., Malaolu, V. A., & Oduh, M. O. (2021). Modelling the determinants of foreign portfolio investment in Nigeria. *Journal of Economics and International Finance*, 13(2), 65-78.
- Ezeaku, H. C., & Asongu, S. A. (2024). Foreign portfolio flows and stock market capitalisation in Africa. *Research in International Business and Finance*, 67, 102121.



FUTIFMS International Conference

- Ianchovichina, E., & Lundstrom, S. (2020). Inclusive growth analytics: Framework and application. *World Bank Policy Research Working Paper*, No. 9401.
- International Monetary Fund. (2023). World economic outlook: A rocky recovery. Washington, DC: IMF.
- Ndugbu, M. O., Otiwu, K. C., & Uzowuru, L. N. (2021). The effect of foreign portfolio investment on economic growth in Nigeria. *South Asian Journal of Social Studies and Economics*, 11(3), 43-53.
- Nguyen, A. T., & Poczta-Wajda, A. (2024). The relationship between FDI, trade openness, exchange rate, and GDP per capita in Vietnam. *Journal of Economics and Management*, 46(1), 189-212.
- Obansa, S. A. J., Okoroafor, O. K. D., Aluko, O. O., & Eze, M. (2021). Exchange rate volatility, per capita income, and poverty in Nigeria. *CBN Economic and Financial Review*, 59(1), 23-45.
- Obi, K. O., Oniore, J. O., & Nnadi, K. U. (2020). Exchange rate regimes and economic growth in developing countries. *Journal of Economic and Financial Studies*, 8(2), 48-64.
- Obstfeld, M. (2021). Trilemmas and tradeoffs: Living with financial globalization. BIS Working Papers, No. 997.
- Ofori, I. K., & Asongu, S. A. (2022). Foreign direct investment, governance and inclusive growth in Sub-Saharan Africa. *Applied Economics Letters*, 29(18), 1710-1714.
- Ogege, S., & Biiranee, K. F. B. (2025). Impact of capital market performance on foreign portfolio investment in Nigeria. *Edelweiss Applied Science and Technology*, 9(7), 767-779.
- Ogujiuba, K. K., Ehigiamusoe, K. U., & Udefuna, P. N. (2023). Growth without development: Interrogating Nigeria's inclusive growth paradox. *African Journal of Economic and Management Studies*, 14(3), 401-418.
- Okonjo-Iweala, N., & Osafo-Kwaako, P. (2020). Nigeria's economic reforms: Progress and challenges. Brookings Working Paper, No. 145.
- Olaniyi, C. O., & Oladeji, S. I. (2021). Moderating the effect of institutional quality on the finance-inequality nexus. *Economic Change and Restructuring*, 54(1), 193-225.
- Olatunji, L. A., & Oshodi, M. A. (2021). Exchange rate fluctuations and economic growth in Nigeria. *Nigerian Journal of Economic and Social Studies*, 63(2), 215-237.
- Onoh, J. O., Ibekwe, F. C., & Dimgba, C. (2021). Stock market participation and inclusive growth in Nigeria. *Journal of Finance and Accounting*, 9(4), 188-199.
- Onyeisi, O. S., Odo, S. I., & Anoke, C. I. (2021). Stock market capitalisation and economic growth in Nigeria. *Journal of Financial Risk Management*, 10(2), 105-121.
- Osuka, B. O., Ezedike, G. O., & Mbanasor, C. O. (2022). Foreign portfolio investment and the growth of Nigeria's capital market. *FUOYE Journal of Finance and Contemporary Issues*, 3(2), 107-129.
- Osuji, C. C., & Chigbu, E. E. (2020). Capital market development and economic growth in Nigeria. *Journal of Accounting and Financial Management*, 6(2), 27-42.
- Otapo, T. W., & Adegunle, O. E. (2020). Dynamic effects of foreign portfolio investment on economic growth in Nigeria. *Financial Markets, Institutions and Risks*, 4(3), 5-12.
- Taiwo, J. N., Alaka, A. A., & Afieroho, E. O. (2020). Macroeconomic determinants of stock market capitalisation in Nigeria. *Accounting and Finance Research*, 9(3), 27-40.



FUTIFMS International Conference

Uwubanmwun, A. E., & Ogiemudia, O. A. (2022). Foreign portfolio investment and inclusive development in Nigeria. *Benin Journal of Social Sciences*, 28(1), 1-18.