AN INVESTIGATION OF THE EFFECTS

OF INVESTMENT AND SAVINGS IN NIGERIA ECONOMY

[1]*Kalu Ebi Uma, [2]Joseph Chukwudi Odionye, [3]Hyacinth N. Aniagolu, [4]Ezeoke C Obiora,

[1]Federal University, Ndufu Alike Ikwo,Nigeria, kaluskyebng@yahoo.com ,

[2] Rhema University Aba, Nigeria. josephodionye@yahoo.com

[3]Enugu College of Education Technical, Nigeria, haniagolu@yahoo.com

[4]Federal Polytechnic, Oko, Anambra State, Nigeria obiwaz@gmail.com

*****Correspondence author

Abstract

The study examined the influence of investment and saving in Nigeria economy using time series data ranging from 1980-2012. Augmented Dickey-Fuller test was used to ascertain the time series property of the data. Based on the order of integration, long run relationship was tested using Johansen co-integration. Vector error correction model was employed in the data analysis. Impulse response function was used to trace the transmission of periodic shocks between gross domestic product (gdp) and savings, investment and foreign direct investment while Cholesky forecast error variances decomposition was used to forecast error variance decomposition between gross domestic product and savings, domestic investment and foreign direct investment (fdi). The results revealed, among others that the response of GDP to savings is oscillatory implying that there is no definite pattern of response of GDP to savings in Nigeria; FDI and savings seem to be the driving force behind GDP variance in Nigeria, and savings and domestic investment have long run positive and significant impact on the Nigerian economy while unexpectedly, FDI has negative but insignificant impact on the economy. Consequently, among the recommendations made were: inflation adjusted interest rate policy should be put in place in order to reduce the cost of borrowing and thus increase investment in the country and there is the need for proper maintenance of restrictive monetary, fiscal, and exchange rate policies.

Keywords: Economy, effect, investment, investigation and savings