

Macroeconomic Determinants of Foreign Direct Investment in Nigeria: Evidence from ARDL Modeling

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Abstract: *Foreign Direct Investment (FDI) remains an important source of capital for developing economies, yet Nigeria continues to experience unstable inflows due to macroeconomic fragility. This study evaluates the influence of exchange rate (EXR), gross domestic product (GDP), and stock market returns (SMR) on FDI using quarterly data spanning 2000–2024. The Autoregressive Distributed Lag (ARDL) model was employed to capture both dynamic and equilibrium relationships. Results indicate that in the long run, EXR exerts a significant negative influence on FDI ($\beta = -0.274$, $p = 0.013$), while GDP ($\beta = 0.167$, $p = 0.016$) and SMR ($\beta = 0.085$, $p = 0.002$) show positive and significant effects. Short-run dynamics mirror these outcomes, with the error correction term ($ECM = -0.482$, $p < 0.001$) confirming a 48.2 percent quarterly adjustment toward equilibrium. The study concludes that macroeconomic instability, especially exchange rate volatility, undermines Nigeria's investment climate. It recommends sustained exchange rate stability, inclusive growth strategies, and strengthened capital market infrastructure to enhance investor confidence.*

Keywords: Stock market performance, foreign direct investment, exchange rate volatility, economic growth, ARDL Model

INTRODUCTION

Foreign investment has become an essential component of economic integration in developing nations, providing a channel through which external resources complement domestic efforts toward growth. Within this context, Foreign Direct Investment (FDI) is regarded as a central mechanism for stimulating structural transformation and long-term development. Evidence from the literature highlights that FDI contributes beyond capital inflows by facilitating the transfer of technology, strengthening managerial capacity, and promoting capital formation. These processes collectively improve productivity levels and enhance the competitiveness of domestic industries in host economies (Etale & Sawyerr, 2020; Makoni, 2020).

Unlike foreign portfolio investment, which is often speculative and short term, FDI entails a long-term commitment of resources and the acquisition of controlling interests in domestic enterprises. This distinction is crucial for economies like Nigeria, where sustained capital inflows are needed to

complement domestic savings and support structural reforms (Adenekan, Sanni, & Itodo, 2019). However, despite Nigeria's large market size and abundant natural resources, the country's ability to attract and retain FDI remains inconsistent, fluctuating with shifts in global markets, domestic macroeconomic conditions, and policy credibility (Duruechi, 2020).

Macroeconomic stability is central to the FDI decision-making process. Stable macroeconomic conditions reduce uncertainty and allow investors to make accurate forecasts regarding returns on investment. Specifically, exchange rate movements have been widely documented as critical to investment decisions because they influence the cost of capital repatriation and future profitability (Uzoma-Nwosu & Orekoya, 2019). Foreign Direct Investment (FDI) is a central driver of economic transformation in developing economies. In Nigeria, inflows have fluctuated significantly despite the country's large market and resource endowment. Exchange rate volatility remains a major obstacle, as persistent fluctuations erode investor confidence and raise concerns about the repatriation of profits (Ahmed & Kelikahili, 2022).

Multinational firms are sensitive to these risks because exchange rate instability affects project costs and profitability. By contrast, gross domestic product (GDP) growth signals market expansion and improved purchasing power, factors that attract foreign investors seeking long-term opportunities. Stock market performance also plays a supportive role by reflecting institutional quality and offering financing avenues for international enterprises (Odean, Ogundipe, & Oluwatosin, 2020). Together, these macroeconomic factors shape investor expectations and influence FDI decisions.

Despite targeted policy reforms, Nigeria continues to attract less FDI than peer economies. Analysts identify inconsistent fiscal and monetary policies as major constraints, particularly in relation to exchange rate management and capital account restrictions (Karimo, 2020). Cyclical rationing of foreign exchange and abrupt changes in regulations derail investment plans, and poor institutional setup increases the chances of capital flight during period of economic meltdown. The lack of sufficient infrastructure, bureaucracy, and political uncertainty also create a poor environment to invest (Gautam, Chadha, & Malik, 2020). Transaction costs are high and policy unpredictability does not give confidence to foreign investors to make long-term investments. It is imperative to address these gaps by providing knowledge-based understanding as to the manner in which macroeconomic fundamentals combine with FDI inflows.

The previous literature on Nigeria already has contributed to our knowledge on capital flows yet there are critical gaps. Most of the studies do not differentiate well between direct and portfolio investment as the two respond differently to macroeconomic shocks (Makoni, 2020). The former (FDI) is more viable and attached to physical investment whereas the latter (portfolio flows) is speculative in nature and easily absorbed by short run perturbations. The results on the implications of exchange rate movements, the GDP growth and stock market performance on FDI are distant and somewhat ambiguous since some studies can report positive, negative, or insignificant results (Etale & Sawyerr, 2020; Uzoma-Nwosu & Orekoya, 2019). These inconsistencies highlight the need for updated models that can capture both short- and long-run dynamics using recent macroeconomic data. Such approaches are critical for informing policies aimed at stabilising FDI inflows.

This study applies the Autoregressive Distributed Lag (ARDL) model to quarterly data covering 2000 to 2024. This is the time when many significant policy reforms took place and the world experienced oil shocks to the oil prices and fluctuations in the exchange rate regime. The ARDL variant is suitable due to its ability to allow mixed order of integration of variables and their estimates remain robust with small sample sizes (Pesaran, Shin, & Smith, 2001). The model is able to isolate the impacts of exchange rate volatility, GDP growth, and the returns on stock market on FDI and as such enables one to get a more accurate picture of the interaction between the macroeconomic fundamentals. The results are informative in terms of short run shocks and long-run shifts. It is expected that results guide policymakers in determining measures that stabilise the macroeconomic environment, enhancing financial markets and enhancing the competitiveness of Nigeria as an investment destination.

By focusing on exchange rate stability, growth dynamics, and capital market development, this research contributes to the broader literature on FDI in emerging markets. It emphasizes the persistent role of macroeconomic fundamentals in shaping foreign investor behaviour. For Nigeria, the implication is clear: consistent and credible policies, coupled with institutional reforms, are required to attract sustained foreign capital inflows. The study aims to support the formulation of coherent strategies that enhance investor confidence and align FDI inflows with long-term development objectives (Ahmed & Kelikahili, 2022; Karimo, 2020; Odean, Ogundipe, & Oluwatosin, 2020). The specific objectives of the study were to;

- i. determine the effect of exchange rate fluctuations on foreign direct investment (FDI) in Nigeria.
- ii. assess the impact of GDP growth on FDI inflows.
- iii. analyse the relationship between stock market performance and FDI.

LITERATURE REVIEW

Conceptual Clarifications

Foreign capital inflows are typically divided into foreign direct investment (FDI) and foreign portfolio investment (FPI), which differ in scope, purpose, and economic impact (UzomaNwosu & Orekoya, 2019). FDI can be defined as long-term engagements of foreign actors in the productive sectors of a foreign economy which is usually through ownership of equity, start-up of new ventures or reinvesting of profits. These investments have a tendency to bring managerial control into play and are a sign of sustained interests in the local economy (Etale & Sawyerr, 2020). Comparatively, FPI involves the temporary investment in securities like equities and bonds, and treasury instruments, whereby the main intention is to gain returns within a short period of time with minimal managerial intervention.

This is a central difference in developing countries like Nigeria where inequality is a key factor in investor behaviour because of institutional quality and macroeconomic stability. FDI tends to be more immune to economic recessions as it does not base its existence on the whims and fancy of business. FPI, on the other hand, is very volatile and prone to swift shocks, such that they often exit when the level of uncertainty increases (Duruechi, 2020). It is empirically observed that, although both forms of inflows can contribute to financial development, they do not contribute to that in the same or equal amount. FDI is pegged on its relations with technology, innovation, creation of jobs, and investment in infrastructure which brings structural reorganization and growth of productivity (Makoni, 2020).

FPI enhances liquidity and strengthens financial market efficiency but lacks the developmental spillovers linked to FDI.

Given Nigeria's volatile policy environment and macroeconomic vulnerabilities, understanding the drivers of FDI is essential. Stable exchange rate regimes, strong institutional frameworks, and credible policies are more likely to encourage long-term capital inflows than those that attract speculative short-term funds. Recognising these dynamics is vital for policymakers aiming to create an investment climate that sustains economic growth and reduces vulnerability to capital flight (Makoni, 2020).

Theoretical Perspectives

Theories of foreign direct investment (FDI) have developed from classical to contemporary perspectives, reflecting changes in global investment patterns and institutional realities. One of earliest explanations, according to Classical Investment Theory, was that investors invested capital in countries with an excess supply of resources and took the capital to the countries with scarce capital to balance rates of returns. According to this neoclassical school, FDI investment would automatically move to a developing economy like Nigeria based on the notion of capital mobility and low levels of policy restrictions (Duruechi, 2020). Although it is helpful to describe global capital placement, the model does not take into consideration firm-level strategies, weak institutions, as well as inconsistency of policies that often act as impediments to investment flows.

Modern theories have closed such gaps by incorporating wider determinants of FDI. The Eclectic Paradigm, or the OLI model, developed by Dunning, is one of the brightest examples of such paradigm. According to this paradigm three key factors, which are ownership, location and internalisation advantages, play the decisive role. Ownership advantages are applied to the unique resources of a firm like brand reputation, technology or management ability. Location advantages focus on market size, natural resources, and the quality of regulations and macroeconomic stability in the host nations. The benefits to internalisation occur when it is more effective to exploit within rather than through a licensing or a partnership. This framework is still one of the main models to explain the decision-making nature when it comes to tapping multinational investment, especially in a setting that considers the market potential and the stability of policy (Ahmed & Kelikahili, 2022).

Going further through the Institutional Theory, there is emphasis put on the role of the political and legal system, the credibility of regulations and enforcement to influence the behaviour of investment behaviour. The poor institutions environment including that in Nigeria has the potential to destabilize the macroeconomic fundamentals and scare off foreign companies (Adenekan, Sanni & Itodo, 2019). Behavioural Economics also contributes insight when it understands that capital flow is affected by the investor sentiment, perceived risks, and cognitive biases. Together, these perspectives demonstrate that while classical theories emphasise macroeconomic fundamentals, contemporary frameworks stress the combined influence of firm-level advantages, institutional quality, and investor psychology in determining FDI.

Empirical Review

Empirical studies on the determinants of FDI in Nigeria have highlighted a range of macroeconomic and structural variables. The main focus in terms of the exchange rate behavior is on the influence on

investment returns and currency risk. Uzoma-Nwosu and Orekoya (2019) state that exchange rate fluctuations, although theoretically they should make the domestic assets cheaper to foreign investors, tend to prevent FDI in Nigeria as investors fear the instability and hurdles during capital withdrawal. They studied that the predictability and consistent exchange rate policies might be more determinant to attract proceeds of long term capital flow compared with the actual level of nominal rate. On the same note, Etale and Sawyerr (2020) showed that during the times of exchange rate stability, foreign direct investments were also increasing, whereas the volatile systems and the dual exchange rate systems discouraged foreign investors.

GDP has also been identified as a significant determinant of FDI. Ahmed and Kelikahili (2022) reported a positive and statistically significant relationship between GDP and FDI in Nigeria, suggesting that economic growth enhances market potential and reduces investment risks. Their findings align with the demand-side hypothesis, which argues that FDI is attracted to countries with expanding markets and growing consumer bases. Karimo (2020) further emphasised that GDP growth signals productive capacity and infrastructure readiness, both of which are important to investors looking to establish long-term operations. However, he cautioned that the quality of growth matters, as FDI is more responsive to inclusive and diversified growth rather than growth concentrated in volatile sectors such as oil and gas.

The role of stock market performance and financial market development in influencing FDI is increasingly recognized. While FPI is more directly tied to capital market returns, a wellfunctioning financial market also contributes to FDI by providing access to domestic financing, improving corporate governance, and offering exit options for foreign investors. Adenekan, Sanni, and Itodo (2019) found that improvements in the Nigerian capital market, including regulatory reforms and increased transparency, had a positive impact on both FDI and portfolio flows. Similarly, Odean, Ogundipe, and Oluwatosin (2020) observed that foreign investors consider stock market indicators as part of their assessment of economic stability and institutional quality.

Research in the general African setting like that of Gautam, Chadha and Malik (2020) has demonstrated that FDI closely correlates to macroeconomic stability, and the construction of infrastructure and policy regularity. Their study on BRICS and African economies also showed that countries with sound predictable fiscal policies, low inflation rates, and effective regulatory institutions were more likely to attract FDI that was also stable. Studying crosscountry data, Makoni (2020) pointed out that although natural resource endowment is a major force that has actively attracted several African countries, the stability of the political landscape, the transparency of the legal system, and the growth of economic multipolarity are emerging as the most influential elements of long-term FDI. This reinforces the importance of a holistic policy approach in countries like Nigeria, where macroeconomic fundamentals and institutional reforms must go hand in hand to attract durable investment.

METHODOLOGY

The study was undertaken using quarterly time series data that covers the period between the first quarter of 2000 and the fourth quarter of 2024 to determine the causal relationship between the key macroeconomic variables and the Foreign Direct Investment (FDI) in Nigeria. Data employed were as

reported in the Central Bank of Nigeria (CBN) Statistical Bulletin and the Nigerian Exchange Group (NGX). The FDI inflow data, in the form of millions of US dollars, were sourced through the CBN, whereas the official exchange rate (naira per US dollar) and gross domestic product (GDP) in real terms were also imported through the same medium. The stock market performance was proxied with the All Share Index (ASI), indicated by NGX. The time frame of the study corresponds to the major events of policy changes, economic and exchange rate regime changes and international financial shocks, giving a broad picture of the macroeconomic and investment environment in Nigeria.

The Autoregressive Distributed Lag (ARDL) bounds testing proposed by Pesaran, Shin and Smith (2001) was applied in evaluating the short-run and long-run interactions between the macroeconomic variables and FDI. The ARDL model is suitable in situations where the underlying series are integrated of order I(0) and I(1), but not I(2) and is more suitable when the series are small and medium in size. This model is beneficial since, it enables the lag length to be different across variables and makes consistent long run estimates even when regressors are endogenous. Before estimating the ARDL model, unit root tests including the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests were conducted to confirm the integration order of the variables and ensure suitability for ARDL estimation.

The study specified Foreign Direct Investment (FDI) inflow as the dependent variable, while the explanatory variables were exchange rate (EXR), real gross domestic product (GDP), and stock market returns (SMR), the latter measured through percentage changes in the All Share Index (ASI). Appropriate lag structures were selected using the Akaike Information.

Criterion (AIC) to achieve a balance between accuracy and simplicity in model specification. To examine long-run associations among the variables, the Autoregressive Distributed Lag (ARDL) bounds testing procedure was applied. Once evidence of cointegration was established, an Error Correction Model (ECM) was estimated to capture the rate at which deviations from equilibrium were corrected in the short run. To validate the reliability of results, several diagnostic tests were conducted, including checks for autocorrelation (Breusch-Godfrey), heteroskedasticity (Breusch-Pagan-Godfrey), normality (Jarque-Bera), and model stability (CUSUM and CUSUMSQ). These steps collectively ensure the credibility and reliability of the empirical findings. The model builds on the work of Obi et al. (2021), who examined the impact of macroeconomic variables on foreign portfolio investment volatility in Nigeria. While their model included interest rate, inflation, and money supply, this study modifies the specification by excluding those variables and introducing stock market returns to align with the research objectives.

The baseline model of Obi et al. (2021) was expressed as:

$$FPI = f(GDP, EXCR, ITR, IF, MS) \dots\dots\dots (3.1)$$

The study modified the model into the model in equation 3.1 $y_i = \beta_0 + \beta_1 \times i_1 + \beta_2 \times i_2 + \dots + \beta_k \times i_k + e$ where, for $i=n$ observations: y_i = dependent variable $\times i$ = Explanatory variable β_0 = y –intercept (constant term) β_p = Slope coefficient for each explanatory variable e = The models error term.

$$FDI=f(\text{Macroeconomic Variables}) \dots\dots\dots 1$$

$$FDI=f(EXH, GDP, SMR) \dots\dots\dots 2$$

$$FDI = \beta_0 + \beta_1 EXH + \beta_2 GDP + \beta_3 SMR + e \dots\dots\dots 3$$

$$FDI = \beta_0 + \beta_1 EXH_t + \beta_2 GDP_t + \beta_3 SMR_t + e_t \dots \dots \dots 4$$

Hence, Foreign Direct Investment (FDI)= β_0 +Exchange Rate (EXH) + Gross Domestic Product (GDP)+ Stock Market Returns (SMR) Where: FDI= is the foreign portfolio investment EXH= is the exchange rate GDP= Gross Domestic Product (GDP) , Stock Market Returns (SMR) E= is the error term. t. = time series data.

RESULTS AND DISCUSSION

Table 1: Regression Results (ARDL – Long Run Coefficients)

Variable	Coefficient	Std. Error	t-Statistic	p-Value
EXR	-0.274	0.107	-2.56	0.013
GDP	0.167	0.068	2.46	0.016
SMR	0.085	0.027	3.15	0.002
C	-1324.211	597.402	-2.22	0.030

Dependent Variable: FDI

Independent Variables: Exchange Rate (EXR), Gross Domestic Product (GDP), Stock Market Returns (SMR)

Table 1 presents the long-run ARDL regression coefficients estimating the impact of macroeconomic variables on Foreign Direct Investment (FDI). The findings indicate that the exchange rate has a statistically significant negative effect on FDI (coefficient = -0.274, $p = 0.013$), suggesting that currency depreciation deters long-term investment by increasing the cost and risk of capital repatriation. This result supports the argument that macroeconomic volatility, particularly in the exchange rate, reduces investor confidence. Conversely, GDP exhibits a positive and significant coefficient (0.167, $p = 0.016$), indicating that sustained economic growth enhances Nigeria's attractiveness to foreign investors. Stock market returns (SMR) also show a positive relationship with FDI (0.085, $p = 0.002$), emphasizing the importance of capital market performance in shaping investor perceptions. The constant term is negative and significant, implying that structural weaknesses may constrain FDI in the absence of macroeconomic improvements. Overall, the results underscore the importance of exchange rate stability, economic growth, and a vibrant capital market in promoting long-term foreign investment.

Table 2: Short-Run Error Correction Representation

Variable	Coefficient	Std. Error	t-Statistic	p-Value
D(EXR)	-0.103	0.049	-2.10	0.038
D(GDP)	0.078	0.037	2.11	0.037
D(SMR)	0.041	0.015	2.73	0.008
ECM(-1)	-0.482	0.072	-6.69	0.000

Table 2 shows the short-run dynamics of the ARDL model. The error correction term (ECM = -0.482, $p < 0.001$) is negative and highly significant, indicating that approximately 48.2% of the deviation from the long-run equilibrium is corrected each quarter. This confirms the presence of a stable long-run relationship between FDI and the explanatory variables. In the short run, exchange rate (D(EXR)) maintains a significant negative effect on FDI (coefficient = -0.103, $p = 0.038$), further validating concerns over exchange rate instability. Both GDP (D(GDP) = 0.078, $p = 0.037$) and stock market returns (D(SMR) = 0.041, $p = 0.008$) positively influence FDI, demonstrating that improved economic output and market performance can quickly attract capital inflows. The consistency between short- and longrun results highlights the persistent role of macroeconomic fundamentals in driving FDI, while the significant error correction term confirms the model's dynamic stability.

Table 3: Model Diagnostics

Statistic	Value
R-squared	0.702
Adjusted R-squared	0.681
F-statistic	39.51
Prob(F-statistic)	0.000
Durbin-Watson stat	2.12

Table 3 provides the diagnostic outcomes that confirm the reliability of the ARDL estimates. The coefficient of determination ($R^2 = 0.702$) and the adjusted R^2 (0.681) show that about 68 percent of the variations in FDI are accounted for by the explanatory variables, namely exchange rate, GDP, and stock market returns. The reported F-statistic of 39.51 with a probability value of 0.000 indicates that the regressors are jointly significant in explaining FDI behaviour. In addition, the Durbin–Watson statistic of 2.12 suggests the absence of serious autocorrelation problems in the residuals, thereby supporting the validity of the model. These results confirm that the model is well-specified and reliable

for policy analysis. When compared to the diagnostic results of the FPI model (adjusted $R^2 = 0.726$), the FDI model shows slightly lower explanatory power, suggesting that portfolio investment may be more sensitive to macroeconomic conditions. Nonetheless, the FDI model remains statistically sound and supports the application of the ARDL approach for evaluating macroeconomic influences on direct investment flows in Nigeria.

DISCUSSION

The findings presented in Table 2, which detail the long-run effects of macroeconomic variables on Foreign Direct Investment (FDI), align with a number of empirical studies on Nigeria and other emerging economies. The negative and statistically significant impact of the exchange rate (coefficient = -0.274 , $p = 0.013$) reinforces the argument that exchange rate depreciation or volatility can act as a deterrent to long-term foreign investment. This result is consistent with the findings of Uzoma-Nwosu and Orekoya (2019), who observed that exchange rate instability increases investment risks, particularly where foreign investors face uncertainty about repatriation of profits. Their study emphasized that in the Nigerian context, sharp fluctuations in the exchange rate, often stemming from policy inconsistencies and external shocks, discourage foreign firms from committing to long-term ventures.

The result showing a positive and significant influence of GDP on FDI (coefficient = 0.167 , $p = 0.016$) is also supported by earlier empirical research. Ahmed and Kelikahili (2022) found that sustained economic growth serves as a strong attractor of foreign capital by signaling market expansion, consumer demand, and economic stability. Their work highlights that rising GDP figures not only indicate increased investment opportunities but also reduce perceived risks by suggesting a stable policy environment. Similarly, Karimo (2020) emphasized that GDP growth reflects productive capacity and institutional readiness, both of which are crucial for foreign investors evaluating market entry and expansion strategies. In this context, Nigeria's economic performance remains a key determinant of its appeal to long-term capital providers.

Stock market returns, which are positively related to FDI in the model (coefficient = 0.085 , $p = 0.002$), further underscore the role of financial market performance in shaping investor behaviour. This observation compares with the conclusions of Adenekan, Sanni, and Itodo (2019) on how the better infrastructure in capital markets in Nigeria and the associated regulatory changes raised investor trust and drew foreign investment. Although stock market returns have traditionally been linked more closely to foreign portfolio flows, financial market performance also plays a role in attracting FDI through the reduction of transaction costs, the provision of financing and a measure of economic and institutional robustness. According to Odean, Ogundipe, and Oluwatosin (2020), market indicators that can reflect an investor sentiment can be the All Share Index, which in turn determines not only the speculative flows carried out in the short term but also longer-term investment commitments.

Thus, findings are mostly coherent with existing empirical evidence concerning the causes of FDI in Nigeria and Sub-Saharan Africa, in general. The stability of domestic exchange rates, economic growth, and performance of financial markets, are the key themes of the studies. The model reaffirms that in as much as growth prospects and the capital market improvements may work to attract FDI,

they may be negated by the exchange rate volatility. These findings indicate that it is only through a harmonized policy direction, placing high premium on macroeconomic stability, boosting economic development and growth that ensures inclusive and inclusive economic growth, and reinforced capital market that sustained FDI can be realized in countries. The importance of these factors to the short-run estimated values as well as the long-run value justifies their environmental and cumulative effect in the foreign direct investment inflows.

CONCLUSION AND RECOMMENDATIONS

The analysis examined the role of key macroeconomic indicators, exchange rate, gross domestic product (GDP), and stock market returns, in shaping foreign direct investment (FDI) inflows to Nigeria using quarterly data covering the period 2000 to 2024. The Autoregressive Distributed Lag (ARDL) technique was applied to capture both short-run adjustments and long-run linkages among the variables. Results reveal that exchange rate fluctuations exert a statistically significant influence on FDI across both time horizons, with evidence pointing to the destabilizing effect of currency volatility on sustained investment inflows. GDP and the growth in stock market returns, on the other hand, were positive and significant in relation to the FDI, a fact that shows that economic growth and performance of the financial market are the major causes of foreign direct capital inflows. The error correction term established the presence of a stable long-run relationship, and diagnostic tests established the stability of the model.

Based on these findings, several policy recommendations are proposed. First, exchange rate management should be a central focus of macroeconomic policy. Government and monetary authorities should aim to stabilise the exchange rate through credible, transparent, and market-aligned policies that reduce volatility and promote investor confidence. Equally, strategies that support sustained economic growth, such as infrastructure development, fiscal discipline, and sectoral diversification, should be prioritised to maintain Nigeria's attractiveness to long-term investors. Furthermore, the capital market must be further developed through regulatory reforms, improved corporate governance, and the promotion of transparency, all of which enhance investor trust and facilitate the inflow of foreign capital.

The implications of these findings are reduced not only in terms of FDI, but also to FPI attraction and retention. Although FPI is susceptible to fluctuations of short-term market forces, it is also determined by the same macrodynamics. The fluctuation in the exchange rate and a poor economy base repels both types of foreign capital and good performance in the market and sound regulation encourage investor confidence, blanket-wise. Hence, the stable, consistent and growth oriented macroeconomic environment is of dual benefit of attracting long-term investment as well as retaining short-term volatile investment. Institutional strength and policy coherence remain the key to making Nigeria a globally competitive destination of investment.

Thus, the research proves once again that the country depends on macroeconomic fundamentals to attract and maintain foreign capital. Overcoming exchange rate volatility, facilitating inclusive economic growth and enhancing capital market infrastructures are of essence in improving the Nigerian investment climate. When these measures are applied with consistency, they can place

Nigeria in a competitive position as a preferred place of direct and portfolio investments and help build sustainable development and resilience in the economy.

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