EXCHANGE RATE FLUCTUATION AND FOREIGN PORTFOLIO INVESTMENT IN NIGERIA

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EXCHANGE RATE FLUCTUATION AND FOREIGN PORTFOLIO INVESTMENT IN NIGERIA

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A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.) DEGREE IN FINANCE IN THE DEPARTMENT OF BANKING AND FINANCE, COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES, COVENANT UNIVERSITY.

JUlLY 2022

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfillment of the requirements for the award of the degree of Master of Science (Finance) in the Department of Banking and Finance College of Management and Social Sciences, Covenant University, Ota, Nigeria.

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DECLARATION

I**, AWOGBENJA, BUKOLA BOLANLE (20PAG02127)** declares that this research was carried out by me under the supervision of Prof. Kehinde A. Adetiloye of the Department of Banking and Finance, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

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CERTIFICATION

We certify that this dissertation titled "**EXCHANGE RATE FLUCTUATION AND FOREIGN PORTFOLIO INVESTMENT IN NIGERIA"** is an original re search work carried out by **AWOGBENJA, BUKOLA BOLANLE (20PAG02127)** in the Department of Banking and Finance, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria under the supervision of Prof. Kehinde A. Adetiloye. We have examined and found this work acceptable as part of requirements for the award of Master of Science in Finance.

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DEDICATION

This work is dedicated to God Almighty, the immortal, invisible and the only wise one. I also dedicate this to my beloved husband and Children who supported and bear with me on this journey.

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ABSTRACT

The study's major objective was to examine how exchange rate fluctuations and market capitalization had impacted foreign portfolio investment in Nigeria. This would help Nigeria achieve the Sustainable Development Goals 8 of Economic growth and 17 of partnerships with other nations. The study adopted foreign portfolio investment as its dependent variable and exchange rate fluctuations and market capitalization as its independent variables plus control variables of external debt, inflation, external reserve, real gross domestic product, real interest rate, and financial openness. The study used monthly data from 2014M1 to 2021M4 and sourced secondarily from the Central Bank of Nigeria statistical bulletin 2020 edition, Nigeria Exchange group(NGX) and World Development Indicators. The sourced data was analyzed using the Bayesian Vector Autoregression model, and the Granger Causality test. Findings from the study showed that exchange rate was positively significant in impacting foreign portfolio investment while market capitalization had a negative and significant impact on the same dependent variable. Also foreign portfolio investment granger causes exchange rate fluctuations. The study thus recommended, among others, that the internationalization of the Nigerian capital market is a necessity for both development of the market and also attracting foreign investors to the market.

Keywords: Foreign Portfolio Investment, Exchange rate Fluctuations, Market Capitalization, Bayesian VAR, Granger causality