**CAPITAL FLIGHT AND INVESTMENT IN NIGERIA IN THE ERA OF FINANCIAL GLOBALISATION (1970 – 2007)**

##### By

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**Certification**

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**DECLARATION**

It is hereby declared that this research work was undertaken by Adetiloye, Kehinde Adekunle. This thesis titled ‘Capital Flight and Investment in Nigeria in the Era of Financial Globalisation’ is based on original study in the Department of Banking and Finance, School of Business, College of Development Studies, Covenant University, Ota, under the supervision of Distinguished Prof J.A.T. Ojo and Prof (Mrs) Esther O. Adegbite. The ideas and views of this research work are those of Adetiloye, Kehinde Adekunle, and the views of other researchers have been duly acknowledged.

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**Dedication**

This work is dedicated to the King of kings, the Sustainer of life who continually guides the steps of those who trust in Him and to my fathers in the Christian faith and the academic profession.

**ACKNOWLEDGEMENTS**

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I accept full responsibility for any error, grammatical and otherwise, that may remain in this work.

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***Abstract***

*As being experienced in many developing countries, Nigeria has been experiencing confirmed capital flight which has been a problem believed to have adversely affected domestic investment. The existence of this problem is further accentuated by the financial globalisation process which has enabled capital to flow more freely than before between countries of the world. This study examined the relationship between capital flight in Nigeria and investment during the period of financial globalisation with data from 1970 to 2007. The main variables used were exchange rates, investment, Kaopen, financial savings, external reserves and interest rate differential among others. Ordinary Least Square (OLS) technique is used in determining the significant variables in investment and financial globalisation, while Vector Error Correction Mechanism (VECM) was adopted to determine the long-term relationship between investment and capital flight. The study finds that the rate of exchange is significant in investment and financial globalisation but not significant in World Bank’s and Dooley’s estimates of capital flight. The different estimates of capital flight do not significantly impact negatively against investment though it has a long-term negative impact on external reserves of the country. The Dooley’s definition of capital flight is found to more significant in the Nigeria case than the World Bank’s as its impact is negative on the investment, though not significant. This signifies the role of errors and omissions in distorting the estimates of capital flight in Nigeria. The other determinant of capital flight is the interest rate differential in the co-integrating equation. Unusually, the Kaopen measure is significant in the Nigeria’s financial globalisation scenario, which calls for careful foreign exchange rate management to determine the rate of the exchange. The study recommends a cleaner floating of the domestic currency to reduce capital flight, the improvement of the business environment and an increase in the autonomous investment by both public and private sectors in the economy to induce other domestic investments, which will facilitate inflow of capital.*