Determinants of Private Investment in Nigeria

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Abstract

This study investigates the determinants of private investment in Nigeria. Employing time series data for the period 1990 to 2020 gotten from the Central Bank of Nigeria Statistical Bulletin and World Development Indicators, the Auto-Regressive Distributed Lag Model (ARDL) and the Error Correction Mechanism estimation techniques were used to test private investment as the dependent variable and interest rate, money supply, credit to the private sector, inflation rate, and regulatory quality index as the independent variables. The results showed that all variables were correctly signed, and had statistical significance in explaining private investment in Nigeria during the period of study. The study, therefore, encouraged low interest rates to support and enhance lending to the private sector needed for investments, a control of rising inflation rate, monetary authorities developing and implementing policies to increase credit allocated to the private sector, creating and implementing sound policies and laws to support and encourage private sector development as recommendations.

Keywords: Private Investment, ARDL, ECT

JEL Classification: E22, O16

1. Introduction

Private investment is an undeniably potent tool for long-term economic growth and development, particularly in emerging economies and has been proposed as the foundation of economic prosperity in Nigeria. The private sector includes all economic institutions, corporate businesses, cooperatives, and other organizations that do not belong to the government. The successes of industrialized economies in terms of the contributions made by the private sector support the idea that private investment is crucial, especially in developing countries. Private investment has been referred to as a source of entrepreneurship with its operations demonstrating a positive impact on a country's economy and people's quality of life in order to underline its relevance in relation to the growth and development of a nation (Akintoye, 2003). With the reform and rationalization of the public sector, as well as the liberalization of its labour market, the private sector phenomenon has taken on significant proportions in many industrialized countries (ILO, 2002). Given the sector's growing importance, successive Nigerian governments, have adopted policies aimed at supporting and

promoting private sector growth in order to enhance increased performance and innovative ideas, curb high inflation, poverty and unemployment rates, improve the standard of living and achieve economic growth.

Privatization of public enterprises, which is now at the forefront of Nigeria's economic liberalization, stems from the perception that the public sector has failed. The history of privatization may be traced back to the 1970s. The 1970s oil boom, among other causes, fueled a public-sector-led government policy. To give the government more control over its own resources, public sector dominance was also prevalent. However, owing to the government's falling revenue as well as the poor performance of the public sector as a result of the 1980s economic crisis, the Nigerian economy began to experience economic challenges. The negative impact of this economic cum development dilemma became substantial in the early half of 1980 when the nation's economic performance declined dramatically and inefficiency became visible in the public sector.

Today, inefficiency is a common trait of Nigeria's state enterprises. Inefficiency leads to waste, slow growth and leads to excessive reliance on government assistance even when the activity is apparently a profitable one. This could be due to the widely held belief in some circles that government ownership fosters laziness, fraud, bureaucracy, and social vices, among other things. In order to enhance effectiveness and efficiency, the Structural Adjustment Programme (SAP) was introduced in 1986 which advocated an economic reform to favourably redirect and restructure the economy. One of the primary goals of SAP was to restructure and diversify the economy's production base by empowering the organized private sector, through deregulation and privatization in order to diminish the dominance of ineffective public-sector investments and improve private-sector growth prospects. It might be argued that a sizeable fraction of Nigeria's economically active population earn a living through activities outside the formal economy, underscoring the significance of the private sector in promoting economic growth and eradicating poverty. In the same vein, the European Commission (2014) posited that the private sector has the potential to promote inclusive and long-term growth in developing countries. International Finance Corporations (2011) asserts that the private sector is a critical component in addressing developing countries' economic challenges. Hence the advocation for the increase in money supply, credit to private sector, inflation control and the formulation of policies and laws that allow and encourage private sector development as these variables have been seen as having the capability of raising private investment in a nation and were key considerations in the SAP reform.

The country's increased share of private investment is as a result of efforts to reform and privatize the public sector, liberalize foreign trade and payments, increase market access to foreign direct and portfolio investments, and improve the financial system's ability to mobilize domestic savings and allocate financial resources. This has reflected on the role that market forces play in improving private investment in Nigeria. Statistics

show that private investment as a percentage of GDP declined from 14.6% in 1973 to 5.9% in 1980 and 2.0% in 1985. It rose to 13.0% and 16.2% in 1999 and 2002 respectively with 12.2%, 11.5%, 11.2% and 12.9% reported in the years 2017, 2018, 2019 and 2020 while it was put at 11.8% in 2021 (CBN, 2021). The private investment ratio to GDP indicates the smallest share of gross domestic investment. Furthermore, the credit to private sector ratio to GDP in Nigeria was 3.7% in 1960, 12.22% in 1980, 4.95% in 1990, 8.24 and 19.62 in 2000 and 2009, respectively, before falling to 10.60% in 2012 and 12.13% in 2020 with the global average for 2020 put at 60.26% (World Bank, 2020).

There appears to be a connection between the McKinnon-Shaw financial liberalization hypothesis and the factors that determine private investment through interest rate as the relationship between investment and interest rates was the primary concern in the McKinnon-Shaw financial deregulation proposal (Correa & Rao, 2004). The McKinnon (1973) and Shaw (1973) frameworks popularized the concept of financial liberalization and the need to alleviate financial repression by abolishing credit regulations and allowing market-determined real interest rates to be set, among other things (Ajudua & Odishika, 2022). In furtherance, there are numerous factors that influence private investment. For a growing country like Nigeria to achieve economic growth and development, among other economic goals, it is necessary to identify and focus on these factors that affect private investment growth, which is crucial and required for total economic growth. It has also been observed that despite economic adjustments and economic reforms of successive governments, existing statistics have shown slow and limited improvement in private investment in Nigeria which becomes a serious concern going by the massive capital that had been committed.

Also, the debate in works of literature over the key determinants of private investment has remained inconclusive. Furthermore, whereas the majority of studies have focused on how macroeconomic indicators influence private investment, few have examined the significance of governance indicators. This study attempts to fill the gap. Recognizing these shortcomings and going by the importance of private investment and the need to identify the factors influencing private investment in Nigeria, this study becomes important. This study thus set out to ascertain the determinants of private investment in Nigeria.

2. Literature Review

Theoretical Underpinnings
One of the earliest proponents of investments was John Maynard Keynes. He gave an example of the value of investing. The Keynesian theory holds that there is a close relationship between investment and economic growth. According to Keynes, investment, which is a component of aggregate demand, can be used by policymakers as a mechanism to encourage economic growth. He asserts that changes in investment have a multiplier impact on the nation's income. As a result, more investment would

lead to increased employment, which would increase overall output (Ahuja 2013). Keynes, however, concentrated on how employment and income would be determined in the medium term. He argues that equilibrium will be reached at a level below full employment when total aggregate demand in contemporary capitalist economies is lower than total aggregate supply of production. If the quantity of The economy will be in equilibrium at a level below full employment if the quantity of investment, as indicated by the anticipated rate of profit and market rate of interest, is not equal to the amount of saving because the propensity to save is inherent and constant in the short run (Ahuja 2013).

The Keynesian theory of income and employment was expanded to a long-run setting by Harrod (1939) and Domar (1948) by accounting for both the income and capacity effects of investment. The model outlined the rate at which investments needed to rise in order to enable steady growth. The model stresses the significance of the capital accumulation rate, which is critical in determining economic growth. The theory holds that for an economy to grow, even if only to replace capital assets that are broken or worn out, it must set aside a specific percentage of its national revenue. However, for the business to grow, new investments that reflect net additions to capital stock are needed (Todaro & Smith 2011). Therefore, they suggested that the capital output ratio and level of savings determine the rate of economic growth. According to the theory, a high level of savings makes it possible for businesses to borrow money and make investments. Thus, investment can raise an economy's capital stock, leading to economic growth through an increase in output of products and services. The capital output ratio measures investment productivity as well, thus if it falls, the economy will be more productive and more output will be produced with fewer inputs, which would result in economic growth.

In order to emphasize the value of saving, a mathematical model was formulated as

$$S = sY \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 1$$

Where S = Total national savings, s = rate of savings, Y= national income

Also,
$$I = \Delta K \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 2$$

But total capital stock, K, is directly related to total national income or output, Y, as expressed by the capital-output ratio (the ratio of capital used to produce an output over a period of time), therefore

$$K/_Y = c \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 3$$

Or
$$\Delta K/_{\Delta Y} = c \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 4$$

Or

$$\Delta K = c\Delta Y \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots..\ 5$$

Since

$$S = I \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots...\ 6$$

And we know that $S = sY$, while $I = \Delta K$ which is $= c\Delta Y$. Therefore equation (6) becomes

$$sY = c\Delta Y \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\ 7$$

Dividing both sides by Y, we have

$$s = {}^{c\Delta Y}\!/_Y \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots...\ 8$$

Dividing both sides by c, we have

$${}^{s}\!/_c = {}^{\Delta Y}\!/_Y \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots.\ 9$$

The right-hand side of equation 9 is the rate of growth of GDP

According to equation 9, the national capital-output ratio and net national savings ratio both influence the GDP growth rate. That is, the greater the national capital-output ratio, the lower the rate of GDP growth, and the more an economy saves and invest out of a given GDP, the greater the growth of that GDP.

A new approach to investment which supports financial deepening as a key driver of economic growth was posited later on. The theory which centres on financial liberalization and the need to lessen financial repression were made popular by the McKinnon (1973) and Shaw (1973) frameworks, among other things by abolishing credit regulations and enabling real interest rates to be set according to the market as repression leads to poor savings, high spending, low investments, and stifled economic growth. According to the McKinnon and Shaw (1973), financial liberalization policies should be implemented to increase financial savings mobilization, increase the effectiveness with which resources are distributed among alternative investment projects, and ultimately boost economic growth. Low interest rates due to financial repression discourage saving and reduce investment. The quality of investment will be low due to the low yield of projects that will be performed in a regime of repression. They believed that lowering interest rates would promote spending and investment, which would boost economic growth. By boosting savings through an increase in the real deposit rate and by boosting private investment in vital economic sectors, financial liberalization will promote economic growth (Ajudua & Odishika, 2022).

Empirical Review

Ribeiro (2001) utilized the Johansen Multivariate Co-integration Technique and the Engle-Granger Two-Step Approach to model the factors that influenced private sector

investment in Brazil from 1956 to 1996. The findings show that output, public investment, and financial variables have positive effects whereas exchange rate had a negative effect. According to research by Frimpong and Marbuah (2010) on the determinants of private sector investment in Ghana, public investment, inflation, real interest rates, openness, real exchange rates, and a system of constitutional governance all contribute to private investment. OLS analysis and ECM techniques were employed by Ang (2010) to ascertain the determinants of private investment in Malaysia. The study found that both public and foreign direct investment have a positive effect on private investment. With higher overall productivity, private investment also increases.

The determinants of private investment in Iran were examined by Ahangari and Saki in 2012. They discovered that private investment depends on the instability index, public investment, revenue from oil and gas exports, industrial value added, and bank credits. Adugna (2013) used the ECM model to conduct a study on the determinants of private investment in Ethiopia. His research showed that while interest rates and exchange rates have negative effects on private investments, they have favourable effects on public investment, real GDP per capita, inflation, global trade, corporate tax, and external debt. The empirical relationship between domestic private investment and economic growth in Nigeria between 1970 and 2012 was examined by Kalu and Mgbemena (2015) using the Cobb-Douglas model. They found a significant connection between real gross domestic product and domestic private investment. Oloyede and Kolapo (2018) examine the sensitivity of domestic private investment to macroeconomic indicators in Nigeria from 1986 to 2015. The study found out that domestic private investment is what drives Nigeria's money supply. It is therefore advised that monetary policies, which primarily deal with controlling the cost, supply/availability, and direction of money, be reviewed on a regular basis and ensured to be implemented with little to no delay. Combey (2016) used panel data regression technique to analyze the factors that affected private investment in the West African Economic and Monetary Union (WAEMU) zone between 1995 and 2014, using private investment as the dependent variable and independent variables such as GDP, output gap, interest rate, inflation rate, credit to the private sector, government consumption, term of trade, trade openness, and political stability. the study found that private investment is significantly impacted by political stability and economic growth. Using the Auto Regressive Distributed Lag Modeling (ARDL) technique, Nahoussé, (2019) examined the factors influencing domestic private investment in Cote de Ivoire between 1970 and 2012 and discovered that trade, public investment, and foreign direct investment were the main factors affecting domestic private investment in both the short and long runs, while gross domestic product and interest rates were not significant.

3. Methodology

The study used descriptive analysis and an econometric approach to estimate the association between the dependent and independent variables employed with time series data sourced from the Central Bank of Nigeria Statistical Bulletin, World

Development Indicators, the International Country Risk Guide for the period 1990 - 2020 was employed in the study. The summary of statistics was utilized in conjunction with e-views software to descriptively analyze the various variables involved in the study. Multiple regression analysis employing the Ordinary Least Squares (OLS) technique was used to analyse the relationship between the dependent and independent variables in the study. The functional relationship between the dependent and independent variables for the study is stated mathematically as:

$$PINV = f(INT, MS, FEX, INF, RQI,) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 10$$

The function above in an econometric model, becomes

$$PINV = \alpha_0 + \alpha_1 INT + \alpha_2 MS + \alpha_3 CPS + \alpha_4 INF + \alpha_5 RQI + \mu_t \dots\dots\dots\dots 11$$

The variables in the model were log-transformed to avoid heteroskedasticity and to keep them at the same level of measurement for easier reading. The model is expressed in a logarithm form as:

$$LogPINV = \alpha_0 + \alpha_1 INT + \alpha_2 LogMS + \alpha_3 LogCPS + \alpha_4 INF + \alpha_5 RQI + \mu_t \dots.. 12$$

The Autoregressive Distributive Lag (ARDL) Model was employed in the study based on the behaviour of the variables received from the diagnostic tests. This is true because the variables were integrated of order zero and one (I(0) and I(1)).

Using the Autoregressive Distributive Lag (ARDL), the estimated long-run model is explicitly given as

$$LogPINV_t = \theta_0 + \sum_{q=1}^{p} a_1 INT_{t-1} + \sum_{q=0}^{j_1} a_2 LogMS_{t-1} + \sum_{q=0}^{j_2} a_3 LogCPS_{t-1} + \sum_{q=0}^{j_3} a_4 INF_{t-1} + \sum_{q=0}^{j_4} a_5 RQI_{t-1} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 13$$

The short-run dynamic for the model in the study is stated thus;

$$\Delta LogPINV_t = \rho_0 + \sum_{q=1}^{p} \beta_1 \Delta INT_{t-1} + \sum_{q=1}^{j_1} \beta_2 \Delta LogMS_{t-j} + \sum_{q=1}^{j_2} \beta_3 \Delta LogCPS_{t-j} + \sum_{q=1}^{j_3} \beta_4 \Delta INF_{t-j} + \sum_{q=1}^{j_4} \beta_5 \Delta RQI_{t-j} + \delta ecm_{i-1} + \varepsilon_t \dots 14$$

Where PINV is the private investment, INT stands for interest rate, MS indicate money supply, CPS is the credit to private sector, INF entails inflation rate, RQI means regulatory quality index (captures perceptions of the government's ability to formulate and put in place sound policies and laws that allow and encourage private sector development), a_1 to a_4 show parameters of variables to be estimate for the long run model, β_1 to β_4 indicate parameters of variables to be estimate for the short run model, θ_0 is the intercepts for the long run model, ρ_0 stand for intercepts for the short run model, $j_1 to j_4$ mean optimal lag length for each of the variables, and ε_t is the error term. Given the assumed relation, based on apriori reasoning the expected signs for the parameter estimates are $\alpha_1 > 0$, $\alpha_2 > 0$, $\alpha_3 > 0$ and $\alpha_4 < 0$

4. Results

Correlation Matrix

Table 1: Summary of Correlation Matrix Result

	LOGPINV	INT	LOGMS	CPS	INF	RQI
LOGPINV	1.0000	-0.2579	0.0288	0.2197	-0.4221	0.2525
INT	-0.2579	1.0000	0.5933	0.8869	-0.4027	-0.0595
LOGMS	0.0288	0.5933	1.0000	0.5618	-0.2199	-0.1673
LOGCPS	0.2197	0.8869	0.5618	1.0000	-0.3937	-0.0784
INF	-0.4221	-0.4027	-0.2199	-0.3937	1.0000	-0.0274
RQI	0.2525	-0.0595	-0.1673	-0.0784	-0.0274	1.0000

Source: Author's Computation, 2022

The correlation matrix was employed to check and avoid a case of multicollinearity. From the result in the table above, there was no multicollinearity seen as the pair-wise correlation coefficient between two regressions was not in the excess of 0.9. Furthermore, it was revealed that private investment had a negative correlation with interest rate and inflation rate. Also, money supply, credit to private sector and regulatory quality index all had positive and strong correlation with private investment.

Unit Root Test

Table 2: Unit Root Test Result

Variable	ADF Statistic	1% Critical Values	5% Critical Values	10% Critical Values	Order of Integration
LOGPINV	-4.1128	-3.7505	-2.9571	-2.5080	I(1)
INT	-8.9709	-3.7505	-2.9571	-2.5080	I(1)
LOGMS	-4.8605	-3.6812	-2.9826	-2.7030	I(1)
LOGCPS	-5.3326	-3.6812	-2.9826	-2.7030	I(1)
INF	-5.5161	-3.6812	-2.9826	-2.7030	I(1)
RQI	-4.7858	-3.6701	-2.9639	-2.6210	I(0)

Source: Author's Computation, 2022

The stationarity test results in Table 2 show that variables employed in the study were stationary at different orders. While RQI achieved stationarity at order zero, I(0), other variables LogPINV, INT, LogMS, LogCPS and INF attained stationarity after first differencing I(1). This is so going by the estimated values (ADF Statistic) which are clearly greater than the 5% critical values for each of the variables evaluated. Going by the different order of integration of the variables, it makes a compelling case for the use of the ARDL model, which Pesaran, Shin, and Smith (2001) proposed as a bound test approach since the Johansen approach prohibits the mixing of both orders I(0) and I(1) .

ARDL Bound Test

Table 3: ARDL Bound Test for Cointegration Result

Variables	F-Statistics	
LOGPINV INT LOGMS LOGCPS INF RQI	5.09183	
Critical Values	Lower Bound	Upper Bound
1%	2.49	3.66
5%	2.83	3.94
10%	3.77	5.02

Source: Author's Computation, 2022

The ARDL estimates of F-statistics which are given in table 3 show that when compared, the F-statistics of 5.09183 exceed the upper bound values at all significance levels (3.66, 3.94 & 5.02). As a result, cointegration exists, and there is a stable long run equilibrium relationship between the variables used in the study.

ARDL Long Run Estimation

Table 4: Result of ARDL Long Run Coefficients

Long run Coefficients				
Dependent Variable: LOGPINV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INT	-0.0314	0.0045	1.4641	0.2003
LOGMS	0.3312	0.2101	3.9142	0.0422
LOGCPS	0.0917	0.1452	1.1568	0.3231
INF	-0.0555	0.0610	3.8514	0.0410
RQI	0.0163	0.0054	1.9934	0.0912
C	1.3203	0.2013	8.8621	0.0000
R-squared	0.8220	Adjusted R-squared	0.8021	
F-statistic	9.8064	Durbin-Watson stat	1.8904	
Prob(F-statistic)	0.003003			

Source: Author's Computation, 2022

A look at the result in table 4 reveals that all variables appear with the expected signs. However, the results also demonstrated that the money supply (MS) and inflation rate (INF) were statistically significant. These variables have t statistic probability values less than 0.05. This is in line with Haroon and Nasr (2011) and Knight and Ding (2010). The implication here is simply that an improvement in these variables will attract more private investment required in the economy for growth. Furthermore, the finding suggests that a unit increase in money supply will result in a 0.33 unit rise in private investment in the long run, and a unit increase in inflation rate would result in a 0.05 unit fall in private investment in the long run. Although interest rate (INT), credit to private sector (CPS), and regulatory quality index (RQI) all had the expected sign, they all had probability values greater than 0.05 and so are not statistically significant. This demonstrates that, while the variables money supply and inflation rate have a positive and significant impact on private investment during the study period, the variables interest rate, credit to private sector, and regulatory quality index have an insignificant impact on private investment during the study period, suggesting that more

credit is needed to be offered to the private sector while high interest rate should be checked and should be in line with studies like Frimpong and Marbuah (2010). According to the R^2, the independent variables in the model explain approximately 82% of the variation in private investment, while the error term accounts for 18%.

Short-run Dynamic ARDL Model

Table 5: Result of Short-run Dynamic ARDL Model

Short run Dynamic Dependent Variable: LOGPINV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INT	-0.0088	0.0058	3.8043	0.0397
LOGMS	0.0471	0.1606	3.9945	0.0333
LOGCPS	0.0946	0.1424	2.3668	0.1734
INF	-0.0368	0.0648	4.0103	0.0311
RQI	0.0330	0.0300	3.9203	0.0330
ECT(-1)	-0.2267	0.3615	-3.8851	0.0408
R-squared	0.7554	Adjusted R-squared	0.7283	
F-statistic	8.4143	Prob(F-statistic)	0.0401	
Durbin-Watson stat	1.8715			

Source: Author's Computation, 2022

From the short run dynamic result, the value and sign of the lagged error correction term from the short run dynamic result clearly illustrate that there is a short-run dynamic and long-run relationship. The error correction term ECT(-1) has a negative and significant value. The ECT(-1) is -0. 226750 and measures the rate of adjustment from short-run to long-run equilibrium. The result demonstrates that approximately 23% of the error is corrected in each time period and as such, it will most likely take roughly 4.4 years to correct all errors and deviations and restore economic equilibrium. Furthermore, the data shows that in the short run, the variable CPS (Credit to Private Sector) is not significant, implying that it has no direct effect on private investment. INT (Interest rate), MS (Money Supply), INF (Inflation rate), and RQI (Regulatory Quality Index) have a strong, positive and significant impact on private investment. The R2 reveals that the independent variables account for 76% of the variation in the dependent variable, while the Prob(F-statistic) demonstrates that the whole model fits effectively, with a Durbin-Watson value of 1.87 indicating the absence of serial autocorrelation.

Post Estimation Test

Table 6: ARDL Model Diagnostic Test

	F-Statistic	Prob
Breusch-Godfrey Serial Correlation test	0.3528	0.7221
Heteroskedasticity test	2.3296	0.0949
Jarque-Bera test	5.3780	0.7622

Source: Author's Computation, 2022

The diagnostic test findings in table 4 reveal that the F-statistics for serial correlation, heteroskedasticity, and normality are not significant at the 5% level of significance, supporting the absence of serial autocorrelation. They each have values greater than 0.05 (0.7221, 0.0949, and 0.7622).

5. Conclusion and Recommendation

It is impossible to overstate the role that private investment had played in accelerating Nigeria's economic growth. In keeping with empirical principles, econometric approaches were used to evaluate the key drivers of private investment. The outcomes showed that all variables used display the expected signs. But while the money supply and the inflation rate were statistically significant over the long run, the influence of interest rates, credit to private sector, and the regulatory quality index on private investment were insignificant. Also, while interest rate, money supply, inflation rate, and regulatory quality index have a positive and significant impact on private investment during the research period, credit to the private sector has no significant short-term impact on private investment.

Going by the findings, this study recommends that it is important to create an atmosphere that supports low interest rates. Low interest rates will help improve lending to the private sector which will, in turn, boost investments. Rising inflation rate should be watched and controlled. Monetary authorities should develop and implement policies that will increase credit allocated to private sector. Also, since regulatory quality index is right signed but not significant, the Nigerian government should formulate and put in place sound policies and laws that allow and encourage private sector development. This will encourage private investors in Nigeria.

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