

KEY DETERMINANTS OF INVESTMENT IN GHANA: COINTEGRATION AND CAUSALITY ANALYSIS

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ABSTRACT

This paper examines the relationship between Investment, Income, Interest Rate and Inflation in Ghana from 1990 to 2014 (data period of 25 years) using Unit roots test, co-integration analysis and causality tests. The findings of the study suggest that there has been a significant and positive bidirectional Granger-causal relationship between level of investment and level of income in Ghana over the period. The study also finds a unidirectional causal relationship running from level of income to inflation and from level of income to interest rate at significant levels. The study however finds no significant causal relationship in any direction among the other variables. The findings of the study make relevant contribution to especially policy makers and stakeholders involved in the management of Ghana's macro economy, in particular, where the primary objective is to increase investment level.

Keywords: Investment, Interest rate, inflation, Causality, Ghana.