

Reviewer's comment:

As I have indicated in my previous response on the review, the problem that I continue to have with the paper is the Research Hypothesis.

Author's Feedback:**Objectives:**

The main research objective is to model the impact of oil price volatility on investment decision making in the marginal fields' development in Nigeria. An onshore marginal fields' crude oil production was used as a proxy for investment analysis.

Research Hypothesis:

The first objective of this paper is to provide a logical investigation of the impact of oil price changes on Marginal fields' investment decision (which is measured using crude oil production). Additionally intensity of this relationship will be investigated. It will also try to review the possible consequences and challenges presented by high oil prices for marginal fields' investment.

On the strength of prior studies, this paper is adding some quality work in literature. Therefore the fundamental idea of this study is to examine oil price and investment decision in the marginal fields' development in emerging markets so the evidence is taken from an onshore Marginal fields' in the Niger Delta Region of Nigeria over the period of 2005M10-2016M04. So the problem statement is: "an investigation of the impact of oil price changes on the marginal fields' investment.

There is no doubt that effect of oil prices are boiling questions from last few decades therefore this study grabs the attention of researchers to assess the effects of oil prices on the investment decision in the marginal fields' development in Nigeria.

A lot of studies have been explored on the relationship of oil price and different macro economic variables but only few papers discuss the relationship with micro economic variables. So there is a gap in literature on oil price/micro economic variables relationship as it affects marginal field's investment analysis. This study will cover this gap. By using this phenomenon, our first hypothesis leads to

Hypothesis one: Investment decision in the marginal fields' development in Nigeria reacts negatively to oil price changes .

Algeiri (2012), Salim and Rafiq (2013), ThankGod and Maxwell (2013) and Ebrahim et al. (2014) studied and supported that oil prices shocks and macroeconomic variables have asymmetric relationship. On the basis of this evidences it will also be tested whether Investment decision in the

marginal fields' development react asymmetrically against oil prices shocks.

Hypothesis two: Asymmetric oil price shocks have an impact on marginal fields' investment decision.

Methodology:

Three different methodologies were used to test the impact of oil price on investment decision investment decision making in the marginal fields' development.

1. The Johansen Cointegration test was used to test for the long or short term relationship between the two variables.
2. The Granger Causality test was used to determine if there is a causal relationship between the variables. And if there is what is the direction of the relationship
3. The GARCH test was used to ascertain if oil price volatilities contribute to the uncertainties in the marginal fields' crude oil production.

Results

Results from Johansen cointegration showed that there is a long run equilibrium relationship between the two variables. Using Granger Causality test, results showed that there is a causal relationship between the two variables showing that crude oil price Granger cause uncertainty in a marginal fields' development. Finally GARCH test signified that oil price volatility has a positive relationship with marginal fields' development. This simply means that oil price is a significant determinant of marginal fields' development in Nigeria. Thus the increase in oil price will have a positive impact on the investment decision making in marginal fields' development. This is consistent with the law of supply which states that the lower the price, the lower the quantity supplied and vice versa.

Conclusion

The main conclusion is that we found a strong support for the hypothesis that is there is a positive relationship between oil price and marginal fields' investment. The oil price should be a major factor to be considered because of its significance in making an investment decision in the marginal fields. This might be borne from the fact that the oil price is the major source of revenue for the marginal fields' investors.