

Foreign Portfolio Investment and Performance of the Nigerian Capital Market

Nwonodi Daniel Ikezam¹

¹Department of Banking and Finance, Rivers State University, Port Harcourt, Nigeria, Nigeria.
Correspondence: Department of Banking and Finance, Rivers State University, Port Harcourt, Nigeria, Nigeria

Received: January 20, 2018

Accepted: January 26, 2018

Online Published: February 7, 2018

Abstract

This study examined the effect of foreign portfolio investment on the performance of Nigerian capital market. The specific objectives are to investigate the impact of Net Foreign Portfolio Investment, Foreign Portfolio Investment in Equity, Foreign Portfolio Investment in Bonds, Foreign Portfolio in Government Securities and Nigerian Exchange Rate per US Dollar on the performance of Nigerian Capital Market. The required data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin and Stock Exchange Annual Report. The study has All Share Price Index and Market Capitalization as proxy for Capital market performance while Net Foreign Portfolio Investment (NFPI), Equity Investment (PIE), Bond Investment (PIB), Portfolio Investment in Government Securities (PIGS) and Exchange Rate as predictors variables. The Ordinary Least Square multiple regressions with econometric view were used as data analysis techniques. Cointegration test, Granger Causality Test, Augmented Dickey Fuller Test and Error Correction Model were used to examine the variables and its relationship to the dependent variables. Model one revealed that foreign portfolio investment in bonds and foreign portfolio investment in government securities have negative relationship with All Share Price Index while Net Foreign Portfolio investment, foreign portfolio investment in equities and exchange rate have positive relationship with All Share Price Index. Model two revealed that Net Foreign Portfolio Investment, Portfolio Investments in Bonds and Government securities has negative relationship with market capitalization while equity investment and exchange rate have positive relationship with market capitalization. The study concludes that foreign portfolio investment have significant relationship with Nigerian capital market performance. It therefore recommends that policies should be devised to enhance the operational efficiency of the Nigerian capital market, to attract foreign investors.

Keywords: Foreign Portfolio Investment, Nigerian Capital Market, Equity Investment, Net Foreign Portfolio Investment, Exchange Rate.

1. Introduction

One of the aims of economic integration, partnership and multi-lateral investment treaties is the inflow and outflow of capital across national borders. The aim is to bridge the financial disequilibrium and savings investment gap that exist among countries. Nigerian capital market was established in 1960 to meet investors' needs through the creation and distribution of long-term financial instruments such as bonds and equities within Nigeria and the flow of foreign portfolio investors. Portfolio investment is the commitment of resources in foreign securities by foreign nationals, with view to profitable returns (Ezirim, 2005). Foreign portfolio investment is a component of foreign private capital; it is an aspect of international capital flows, comprising transfer of financial assets, such as cash, stocks or bonds across international border in want of profit (Chukwuemeka, 2008). The inflow of foreign portfolio investment is determined by the development of the capital market, the market rate of return and the monetary policy of the country. Unlike Foreign Direct Investment, inflow of portfolio investment is sensitive to exchange rate risk and political risk of the country (Anayochukwu, 2012).

The relationship between foreign portfolio investment and the capital market of the emerging financial market has results in two schools of thought. First Yartey (2008) argues that economic activities in a country constitute the key drivers of the growth and development of the stock market. They opined that financing a country's

growth through foreign portfolio investment can expose the country to international monetary shocks, for instance the global financial crises, findings in support of this are Dellas and Martin (2002), Chanda (2000), and Carlson and Hernandez (2002). The second schools of thought argued that greater openness will lead to inflow of foreign portfolio investment that will enable the country to benefit from research and development which can result in positive spillover effect to other sectors of the economy and the development of capital market (Chee and Stulz, 1999; Moreso, 1993; and Gould *et al.*, 1993). This view is supported by the Nigerian capital market reforms with the objective of attracting foreign investors.

The theories dominating the flow of foreign portfolio investment and capital market growth have been the standard Neo-classical theory of foreign portfolio inflows which predicts that capital should flow from the capital rich countries to capital scarce countries and the Lucas paradox or why capital does not seem to flow from rich to poor countries (Francis, 2013). Theoretically, numerous body of knowledge, known as portfolio theory, has been propounded to evaluate the behavior of portfolio investment. Harry Markowitz (1951) noted that portfolio investment is a function of market rate of return. This means that inflow of portfolio investment to Nigerian capital will increase if the market rate of return exceeds the cost of the investment.

The challenges facing the inflow of foreign portfolio investment determines the value of inflow to Nigeria in the past and present. The emerging and underdeveloped status of the Nigeria financial market compared with financial markets of the developed nations, Nigeria financial market lack some credibility to attract foreign portfolio investment. For instance, prior to the consolidation reform in the banking system, Nigerian banks were not considered very healthy to attract Foreign Portfolio Investment as a result of the poor rating. The capital market and other institutional policies also have a negative effect on the inflow of Foreign Portfolio Investment in Nigeria (Onoh, 2002). Other factors may either have a negative or positive effect on Net inflow of Foreign Portfolio Investment (FPI).

However, despite the growing literature on the performance of the Nigerian capital market, none has examined the relationship or effect of the various reforms on the inflow of foreign portfolio investment. Similar study by Chi-chi and Eze, (2013) examined the determinants of foreign portfolio investment in Nigeria. This study seeks to examine the effect of the various policy reforms on the inflow of foreign portfolio investment on the growth of the Nigerian capital market

2. Review of Related Literature

Theories of Stock Market Price

▪ Efficient Market Hypothesis

Efficient Market Hypothesis (EMH) asserts that in an efficient market, prices at all times fully reflect all available information that is relevant to their valuation (Fama, 1970). The efficiency of stock markets has been a major area of research in financial economics, particularly as it pertains to stock markets of developing economies (Rapuluchukwu, 2010). This is because of the implication of market efficiency to the functioning of the capital market; especially as it concerns investors' returns and thus stimulation of investor's interest in market activities. It is believed that the behaviour of stock prices is explained by the behaviour of investors (Inegbedion (2009). EMH argues that competition between investors seeking abnormal profits drives prices to their 'fair' value. This implies that prices should incorporate information in the market. The ability of a stock market to incorporate information into prices determines its level of efficiency.

Stock market forecasting is marked more by its failure than by its successes since stock prices reflect the judgments and expectations of investors based on information available (Aguebor, Adewole and Maduegbuna, 2010). Remarkably, efforts have been made to apply econometric techniques of model building in the prediction of stock prices in a bid to demonstrate that the market fluctuations are essentially unpredictable (Brummelhuis, 2005). Have argued that there are long-term pattern in stock prices with several years of upswing followed by more sluggish periods, according to Fama (1965), a stock market where successive price changes in individual securities are independent is by their definition, a random walk market (Gupta and Basu (2007). Specifically, stock prices following a random walk imply that the price changes are as independent of one another as the gains and losses. The independence assumption of the random walk hypothesis is valid as long as knowledge of the past behaviour of the series of price changes cannot be used to increase expected gains (Aguebor, et al 2010). More specifically, if successive price changes for a given security are independent, then there is no problem in timing purchases and sales of the security. A simple policy of buying and holding the security will be as good as any more complicated mechanical procedure for timing purchase and sales (Fama, 1965; 1995). Fama (1970) stated that the sufficient but not necessary conditions for efficiency are:

- There are no transaction costs in trading securities;
- All information is costless, and available to all market participants. And

- All agree on the implication of current information for the current price and distribution of future prices of each security. The EMH can be more specifically defined with respect to the information item available to market participants. Fama (1970) classified the information items into three levels depending on how quickly the information is impounded into prices:
 - Weak- Form EMH,
 - Semi-Strong Form EMH, and
 - Strong-Form EMH

Weak-form efficiency

In weak-form efficiency, future prices cannot be predicted by analyzing prices from the past. Excess returns cannot be earned in the long run by using investment strategies based on historical share prices or other historical data Lulia (2009). Technical analysis techniques will not be able to consistently produce excess returns, though some forms of fundamental analysis may still provide excess returns. Share prices exhibit no serial dependencies, meaning that there are no patterns to asset prices. This implies that future price movements are determined entirely by information not contained in the price series. Hence, prices must follow a random walk. This 'soft' EMH does not require that prices remain at or near equilibrium, but only that market participants not be able to systematically profit from market inefficiencies'. However, while EMH predicts that all price movement is random, many studies have shown a marked tendency for the stock markets to trend over time periods of weeks or longer and that, moreover, there is a positive correlation between degree of trending and length of time period studied. Various explanations for such large and apparently non-random price movements have been promulgated. The problem of algorithmically constructing prices which reflect all available information has been studied extensively in the field of computer science.

Semi Strong Form Efficiency

In semi-strong-form efficiency, it is implied that share prices adjust to publicly available new information very rapidly and in an unbiased fashion, such that no excess returns can be earned by trading on that information. Semi-strong-form efficiency implies that neither fundamental analysis nor technical analysis techniques will be able to reliably produce excess returns. To test for semi-strong-form efficiency, the adjustments to previously unknown news must be of a reasonable size and must be instantaneous. To test for this, consistent upward or downward adjustments after the initial change must be looked for. If there are any such adjustments it would suggest that investors had interpreted the information in a biased fashion and hence in an inefficient manner (Olowe, 2009).

Strong Form Efficiency

In strong-form efficiency, share prices reflect all information, public and private, and no one can earn excess returns. If there are legal barriers to private information becoming public, as with insider trading laws, strong-form efficiency is impossible, except in the case where the laws are universally ignored. To test for strong-form efficiency, a market needs to exist where investors cannot consistently earn excess returns over a long period of time. Even if some money managers are consistently observed to beat the market, no refutation even of strong-form efficiency follows: with hundreds of thousands of fund managers worldwide, even a normal distribution of returns should be expected to produce a few dozen "star" performers Mishra (2009).

- #### Testing the Efficiency Market Hypothesis

Though no stock market is generally believed to be strong-form efficient, most early tests of stock markets in industrialized countries have typically been unable to reject null hypotheses of semi-strong and weak-form efficiency (Fama, 1970). Some recent studies, however, have tested for the semi-strong and weak-form efficiency in developing countries, focusing primarily on the emerging Asian economies, the Latin American markets, African and the Middle East. Chan, Gup, and Pan (1992), for example, use unit root tests that show weak-form stock market efficiency in Hong Kong, South Korea, Singapore, and Taiwan. Liu, Song and Romilly (2007) find that both the Shanghai and Shenzhen Chinese stock market indices are characterized by a random walk and are thus weak-form efficient, although cointegration tests indicate joint inefficiency between the two markets, i.e. past returns from one market can be used to predict returns in another.

- #### Concept of Foreign Portfolio Investment

A portfolio investment is a transaction in which securities are held purely as a financial investment, which can be liquidated depending on the investment horizon of the holder. This has been on the increase of recent due to the internationalization of the capital market, but is seen as the major cause of hot flows that in itself causes capital flight and is currently been blamed for the downturn of the Nigerian Stock Exchange. The recent market bubbles aided the inflow of portfolio funds, which many overseas hedge funds took advantage of to make quick returns. Beaker, Harvey and Lundblad (2005) find that capital inflows benefits equity markets with above average financial development, better legal systems and better quality institutions, which mostly are still

fledgling and nascent in most of the emerging markets of Africa. According to Anyanwale (2007) and Ezirim (2005) foreign portfolio investment is one of the components of foreign investment (FI). FPI involves the commitment of funds to domestic securities by a foreign nation or the purchase of foreign securities by a resident. Foreign portfolio investment may not involve positive transfers, just being a change in ownership.

▪ Foreign Portfolio Inflow in Nigerian Capital Market

Foreign portfolio inflow was not observed in the Nigerian capital market in the early 1980s up to 1985. The first report made by the Central Bank of Nigeria (CBN), recorded foreign portfolio inflow of ₦151.6 million in 1986. Beginning from 1985 when the second-tier securities market was established coupled with the promulgation of the Nigerian Enterprise Promotion Decree in 1987, the Nigerian capital market continued to register the inflow of foreign portfolio investment. Thus, directives that the Nigerian capital market must be internationalized to make it more responsive and attractive to both local and foreign investors buttressed government's appreciation of the importance of the capital market in national development. Ideally, internationalization should enhance the market's competitiveness and attractiveness in the global market place (SEC, 1995).

The later part of the 1980s particularly between 1987 and 1988 received foreign portfolio inflow of ₦4,353 million and ₦2,611.8 million respectively, representing a drastic rise when compared to the 1986's figure, though it fluctuated downward from 1987 to 1988.

According to Ekineh (2003) the investment climate in Nigeria for the period 1987 to 1998 was un conducive, leading to a spate of divestment even by the nation's traditional and long standing investors, who perhaps moved to more favourable environments. Although the Nigerian capital market was completely deregulated in 1993, foreign portfolio inflow continued to be negative up to 1998 and reversed in 1999 with a record of ₦1,815.7 million (SEC, 2008). In 2000, the FPI inflow into the market stood at ₦51.1 billion compared to ₦1.82 billion in 1999. Since then the market has witnessed a tremendous increase in the inflow of fund from oversea, high records of ₦311.1 billion in 2006 and ₦703.6 billion in 2007 respectively. The ₦391.1 billion increase in FPI inflows in 2007 over 2006 which represents 125% increase. Also, there was a sharp increase in FPI inflow between 2005 and 2006, rising from a low inflow of ₦23.5 billion in 2004 to stand at ₦116.0 billion in 2005 and ₦311.7 billion in 2006. The inflow of FPI dropped after the 2000's figure to ₦26.0 billion in 2001, slightly dropped again in 2002 to ₦24.8 billion and stagnated between 2003 and 2004 recording ₦23.5 billion for the two years. Between 2007 and 2008 there was a drastic fall in FPI inflow from a high of ₦703.6 billion in 2007 to ₦350.9 billion in 2008 (Oluba, 2008). Despite this fluctuation or sharp fall in the inflow of FPI, the inflow of foreign portfolio investment rose significantly in 2009 to the tune of ₦2.15 trillion approximately and further rose in 2010 to ₦2.73 trillion approximately.

According to SEC (2008) the high foreign portfolio inflow to the market between 2005 and 2007 could be attributed to high returns, liquidity level and safety of investment in the Nigerian stock market. However, the trend of FPI to the capital market over the period under study (1980-2010) represents an unstable and fluctuating inflow between 2011 and 2013, Nigeria's net foreign portfolio investment was positive with ₦2,789.69, ₦60,289, and ₦1,045,628 respectively.

▪ Performance Trend of the Nigerian Capital Market

According to Central Bank of Nigeria (2007), analysis of the major indicators of activity in the capital market shows that the market has experienced remarkable growth since 1980. Transactions in equities were hitherto weak due largely to the low level of information dissemination and awareness which resulted sluggish market behavior. However, with the computerization of trading and increased transparency in delivery of corporate information, the market has become relatively more efficient. Since the 1980's, the market indicators including the number of listed companies and securities, market capitalization, new issues, value index and market turnover have recorded significant increases. The relative improvement in the performance of the major key indicators can be attributed to the establishment of second-tier securities market (SSM) in 1985; the deregulation of interest rates in 1987, the continuous privatization of government owned companies, improvement in market infrastructure/innovation; as well as the reform in the Nigerian banking industry. These developments have enhanced market liquidity; offered opportunities for price discovery; improved market efficiency in service delivery; and above all resulted in unprecedented growth of both the primary and secondary markets (Onyiuke, 2009).

The deregulation of interest rates, as well as the massive bank failure in the late 1990's made many private enterprises/investors to patronize the equity market to source funds, as bank lending became relatively expensive. From 91 in 1980, the number of companies listed on exchange (equities) rose by 114% to 214 in 2005, but declined to 202 in 2006 as some quoted banks were involved in mergers, acquisitions in the

2005/2006 recapitalization exercise in the banking sector, while those that were unsuccessful were di-listed from the stock exchange.

The growth of listed companies coupled with greater awareness on the part of investors resulted in increase in the number of securities issued and traded in the market. This also contributed in the increase in market capitalization, which grew from ₦5.0 billion in 1981 to ₦13.3 trillion in 2007, over twenty-fold increase. The phenomenal growth notwithstanding, the market capitalization represents about 56.0 percent of GDP, compared to 167.1 percent for South Africa, and 130.0 percent for Malaysia. This indicates that the potentials for growth in the Nigerian capital market is still very enormous (Central Bank of Nigeria, 2008).

The trend in the new issues market was one of fluctuations between 1980 and 2000, and general improvement thereafter. Indeed, the entry of some corporate entities into the Nigerian capital market after deregulation of the market contributed to the upsurge witnessed in the market between 1986 and 2006. Following the banks' recapitalization exercise in 2004, the tempo of activities in the new issues market was very high in 2005 and 2006, as many banks and insurance companies approached the stock, market to raise additional funds.

Consequently, the exchange considered and approved 62 applications for new issues, valued at ₦1.4trillion in 2006, compared with 52 applications for new issues, valued at ₦703.5 billion in 2005. The non-bank corporate issues accounted for 41 percent with 21 applications valued at ₦577 billion. The Federal Government Bonds issue amounted to ₦155.0 billion and accounted for 11.0 percent of the total; while ₦39.28 billion, ₦6.94 billion and ₦140.0 billion were from private placements, debt stocks and Federal Government bond (in 7 series), respectively. In 2008, the exchange considered and approved 70 applications for new issues and mergers to acquisition in excess of ₦2.2 million or 9.53% of GDP, as against 65 applications for new issues valued at ₦779.8 billion. Government Bond issue accounted for ₦272 billion or 12.62% of total amount approved during the year. Of the non-bank application, foreign listing and insurance subsectors accounted for ₦295 billion and ₦150.45 billion or 13.54% and 6.9% respectively of total applications considered (NSE, 2009).

According to SEC (2008) transactions in the secondary segment of the market have been vibrant in recent years as the market has witnessed substantial growth in turnover. This development followed the automation of processes, increased local awareness of opportunities on the Nigerian Stock Market as well as the continued effort at internalization of the market. For instance, the volume of transaction rose by 40.0 percent to 26.7 billion shares in 2005 from 19.2 billion shares in 2004, while the value stood at ₦262.9 billion, up by 16.4 percent from ₦225.8 billion in 2004. In 2006 the total turnover was 36.7 billion shares, indicating an increase of 37.5 percent over the preceding year's level. The year closed with a market turnover value of ₦470.3 billion.

Foreign Portfolio Investment

The phenomenon of Foreign Portfolio Investment in emerging market economies has always attracted the attention of writers from the theoretical and empirical perspective. The benefits of foreign portfolio investment (FPI) include transfer of technology, higher productivity, higher incomes, more revenues for government through taxes, enhancement of balance of payment ability, employment generation, diversification of the industrial base and expansion, modernization and development of related industries. According to Feldstein (2000), first, international flows of capital reduce the risk faced by owners of capital by allowing them to diversify their lending and investment. Second, the global integration of capital market can contribute to the spread of best practices in corporate governance, accounting rules and legal traditions. Proponents of foreign portfolio investment picture it as adding new resources/capital to the host economy in a way that improves efficiency and stimulates economic growth. It is thus viewed as a panacea for economic development by providing the capital underdeveloped countries desperately need to fill their savings-investment gap. From the neoclassical theory, growth is achieved by increasing the quantity of factors of production optimally. In a simple world of two factors, Labour and capital, it is often presumed that low-income countries have abundant Labour but scarce capital. This situation arises owing to shortage of domestic International Journal of Economic Development Research and Investment savings in these countries (especially the developing countries), which places constraint on capital formation and hence growth. Even where domestic inputs in addition to Labour, are readily available, increased production may be limited by scarcity of imported inputs upon which production processes in low-income countries are based. Based on this fact, international capital flows readily as popularized by O'Connor and Iscariot (2010) become an important means of helping developing countries to overcome their problem of capital shortage. As Lebragacio (2010) suggests that capital will move from countries where it is abundant to countries where it is scarce. The resultant capital relocation will boost investment in the recipient country.

▪ Macro-Economic Indicators and Foreign Portfolio Investment in Nigeria

Lee (2007) argued that wide range of factors has been adduced to be responsible for the causal effect on the international flows of foreign investment. Nuntila Derusia (2012) opined that relative low yields in industrial

countries together with impressive economic growth and attractive returns in developing countries motivated investors to relocate their funds to direct investments. He posits that the increase in international flow of foreign investment correspondent well with the trend towards trade globalization, international financial linkages and expansion of production bases overseas. Macroeconomic variables are indicators or main signposts signaling the current trends in the economy. Thus Keynes identified some main macroeconomics variables that study the FPI of the economy as a whole: Gross Domestic Product (GDP), Exchange rate (EXR), Interest Rate, Inflation and Money Supply. GDP is a measure of the annual improvement in the standard of living of the average citizen/resident of a country and it takes into account all the production inside a country, independent of whose ,domestic or foreign, owns the production site. What is important is that the production takes place inside the territories of the country. Exchange rate is the rate in which one nation's currency is compared with the value of another country's currency. If one nation's exchange rate is higher than another one, it affects the purchasing power of the lower exchange rate of a particular country. Example, Nigeria naira rate is lower as to compare to dollar of America therefore an American will have a higher purchasing power than Nigerian. Interest rate is the cost of borrowing money, cash, credit, bonds, stocks, mortgage government borrowing. Interest rate reaches a peak just before recession and fall through the recession. Rising interest rate signal an expanding economy and when already high interest rate begins to rises even further and faster, that is a sure sign of the onset of inflation. Inflation is an economy can be the result of an increase in aggregate demand that is accompanied by an increase in aggregate supply.

- **Policy Reforms and Foreign Capital Flows in Nigeria**

The federal government indigenization policy of the 1970s contributed in scuttling the growth of foreign capital flows in Nigeria. Prior to the promulgation of the Nigerian Enterprises Promotion (NEP) Act of 1972, there were some laws (Exchange Control Act of 1962, Section 7 of the Act, stipulates that "nobody within Nigeria could make any payment to anybody outside Nigeria or make such payment on behalf of anybody resident outside Nigeria without the permission of the Minister of Finance, Companies Act of 1968, Banking Act of 1969, Petroleum Act of 1969, Patents and Design Act of 1970 and Copy Rights Act of 1970) laid the relevant legal framework for the eventual take-off of the indigenization policy.

However, different policy reforms led to the change in the investment climate in Nigeria for both domestic and foreign investors. The abrogation of the Nigerian Enterprises Promotion Decree 1989 and the Exchange Control Act of 1962 as well as their subsequent replacements with Nigerian Investment Promotion Council Decree No 16 of 1995 and Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree 17 of 1995, publication of Industrial Policy for Nigeria in January, 1989 provided foreign investors with enormous opportunity to participate in the economy. The Company and Allied Matters Act 1990 and Nigerian Investment Promotion Commission (NIPC) decree No. 16 of 1995 represented an institutional framework for the formation, management and winding-up of companies as well as registration of business names and incorporated trusteeship in Nigeria, while NIPC is to encourage, promote and co-ordinate investment in the country. The Foreign Exchange (Monitoring and Miscellaneous Provision Provisions) Decree 17 of 1995 was enacted to liberalize transactions involving foreign exchange, thereby; allowing for free flow of foreign capital. In addition, there was the establishment of Investment and Securities Act (ISA) of 1999 to further deregulate and enhance the development of the Nigerian capital market for greater inflow of foreign capitals. Apart from the law reforms, there are also the economic and financial sector policy reforms designed to reduce barriers, increase banking capital base and attract investment as well as tax holidays, easing of import and customs controls, infrastructure investment, and Labour law reform.

- **Capital Flows**

Nigeria's foreign private capital flows involve mostly the Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). The Foreign Portfolio Investment is a recent development in Nigeria and this was initially attributed to the non-internationalization of the country's money and capital markets as well as the non-disclosure of information on the portfolio investments of Nigerian investors in the foreign capital/money markets (CBN 1997).

Onosode (1997) stated that between July 1995 and July 1996, about US\$6.0 million FPI was made in the Nigerian capital market through the Nigerian Stock Exchange (NSE) for the first time since 1962, while for the whole of 1996, foreign investment through the Nigerian Stock Exchange totaled US\$32.99 million; for 1995, it was US\$1.14 million (Obadan, 2004). In terms of net investment, the NPI in Nigeria was ₦151.6 million in 1986, and it rose to ₦ 51, 079.13 million in 2000. By 2005, there was a tremendous increase in the NPI in Nigeria. It increased from ₦23,541.00 million in 2004 to ₦393,336.41 million in 2005, (indicating growth rate of 1,565 per cent). It, however, dropped to ₦294,956.59 million in 2006. In 2007, the NPI increased to ₦609,342.81 million before declining to ₦350,919.40 in 2008. The sudden drop in the NPI level in 2008 could

be attributed to the capital flight witnessed in the country at the heat of the GFC. Similarly, the NDI was ₦735.8 million in 1986 and rose to ₦115,952.16 million in 2000. Furthermore, it increased from ₦654,193.18 million in 2005 to ₦1,779,594.79 million in 2006, indicating a growth rate of 172 per cent. In 2007, it dropped to ₦759,380.40 million but rose to ₦802,615.70 million in 2008.

Within the same period, while the economy was experiencing huge inflows of FDI, it also witnessed some outflows. Between 1986-2008, the inflow of FDI was ₦4,024.00 million in 1986, while the outflow was ₦1,524.40 million, resulting in a net flow of ₦2,499.60 million. In 2000, ₦16,453.60 million was FDI inflow compared to ₦13,106.60 million outflow. In 2007, the FDI inflow and outflow were ₦54,254.20 million and ₦328.80 million, respectively, while the net flow was ₦53,924.80 million. However, the inflow and outflow dropped to ₦37,977.70 million and ₦4,362.50 million in 2008, resulting in a net flow of ₦33,615.20 million. Averagely, the annual FDI inflow and outflow in the economy for the period under review was ₦18,755.49 million and ₦4,090.89 million, respectively, thereby, resulting in a net flow of ₦14,518.59 million. Achieving a positive net foreign investment is important in influencing the overall position of a country's external sector.

▪ Empirical Review

Aggarwal, et al, (2003) examined the investment allocation choices of actively-managed U.S. mutual funds in emerging markets after the Asian financial crisis. They analyzed both country- and firm-level governance and disclosure policies that influence these investment allocation decisions. At the country-level, they find that U.S. funds invest more in open emerging markets with stronger shareholder rights, legal frameworks and accounting standards. After controlling for country characteristics, U.S. funds are found to invest more in firms that adopt policies resulting in greater transparency and accounting disclosures in addition to characteristics such as size, visibility, and high analyst following. The impact of stronger disclosure and transparency is most pronounced in countries with weaker investor protection

Rai and Bhanumurthy (2007) tried to examine the determinants of Foreign Institutional Investments in India, which have crossed almost 12 billion US dollar by the end of 2002. Given the huge volume of these flows and its impact on other domestic financial markets, understanding the behavior of these flows becomes very important at the time of liberalizing capital account. In this study, by using monthly data, they found that FPI inflow depends on stock market returns, inflation rate (both domestic and foreign) and ex-ante risk. In terms of magnitude, the impact of stock market returns and the ex-ante risk turned out to be major determinants of FPI inflow. This study did not find any causation running from foreign portfolio investment inflow to stock returns as it was found by some studies.

Baharumshah and Thanoon (2006) provided a quantitative assessment of the effect of various types of capital flows on the growth process of the East Asian countries, including China. The empirical analysis was based on dynamic panel data and they found; first, that domestic savings contribute positively to long-term economic growth. Second, they confirm that foreign direct investment (FDI) is growth enhancing and that its impact is felt both in the short and long run. Additionally, FDI influence on growth is much higher than domestic savings. Third, short-term capital inflow has adverse effect on the long-term as well as short-term growth prospects and it appears to be sensitive to long-term capital inflows. Fourth, long-term debt has positive effect on growth but its effect does somewhat disappear in the long-term. By and large, the observed positive contribution of FDI in the growth process of East Asian economies is a robust finding.

Durham (2003) focused on the effects of foreign portfolio investment (FPI) and other foreign investment (OFI) on economic growth using data on 88 countries from 1977 through 2000. Most measures suggest that FPI has no effect and some results indicate that OFI has a negative impact on growth that is somewhat mitigated by initial financial and or legal development.

Jenkins and Thomas (2002) examined the determinants of foreign portfolio investment (FPI) and its impact on the national economy in six developing Asian countries. Regression results show that inflation rate, index of economic activity and the share of domestic capital market in the world stock market capitalization are four statistically significant determinants of FPI. The first variable has a negative coefficient while the last three variables possess positive coefficients. Foreign direct investment, total foreign trade and current account deficit variables are found to be statistically insignificant.

Lee (2007) posits that in the last several years there has been a substantial theoretical advancement in our understanding of the factors determining international portfolio capital movements. From the mechanic flow theory, progress has been made to the portfolio-adjustment theory which rests on a firmer microeconomic foundation. Chukwuemeka (2008) examined the determinant of foreign Portfolio Investment. Anayochukwu (2012) examined the impact of stock market returns on Foreign Portfolio Investment. Chi-Chi and Eze (2013) examined the impact of macroeconomic indicators on the performance of Foreign Portfolio Investment. There

are however, few empirical studies on the macroeconomic variables that determine the inflow of Foreign Portfolio Investments.

3. Research Methodology

The study uses quasi experimental research design approach for the data analysis. The approach combines theoretical consideration with the empirical observation and extract maximum information from the available data. The study used time series data sourced from the publications of Central Bank of Nigeria Statistical Bulletins, annual report and economic reviews.

3.1 Model Specification

The model specified below is based on empirical studies and theories.

Model 1

$$ASPI = F(NFPI, PIE, PIB, PIGS, EXR) \dots\dots\dots 1$$

$$ASPI = \beta_0 + \beta_1 NFPI + \beta_2 PIE + \beta_3 PIB + \beta_4 PIGS + \beta_5 EXR + \mu \dots\dots\dots 2$$

Model 2

$$MKCT = F(NFPI, PIE, PIB, PIGS, EXR) \dots\dots\dots 3$$

$$MKCT = \beta_0 + \beta_1 NFPI + \beta_2 PIE + \beta_3 PIB + \beta_4 PIGS + \beta_5 EXR + \mu \dots\dots 4$$

Where

ASPI = Nigerian Stock Market All Share Price Index

MKCT = Nigerian Stock Market Capitalization

NFPI = Net Foreign Portfolio Investment in Nigeria

PIE = Portfolio Investment in Equity

PIB = Portfolio Investment in Bonds

PIGS = Portfolio Investment in Government Securities

EXR = Nigerian Naira Exchange Rate per US Dollar

β_0 = Intercept

$\beta_1 - \beta_5$ = Coefficient of the explanatory variable

μ = Error term

Theoretical functional relationship between the dependent and independent variables in the models are explained below:

- **Net Foreign Portfolio Investment:** This refers to the difference between the inflow and outflow of foreign portfolio in the financial market. An increasing inflow signifies that the capital market is functioning well. The general assumption based on the portfolio investment theory, is that outflow of portfolio investment is a mechanism for risk diversification. Therefore an increase in net foreign portfolio investment is expected to add on the capital market of the recipient country, which can be measured in market capitalization or all share price index.
- **Portfolio Investment in Equity:** The Nigerian capital market trades on equity of corporate organizations which are multinational firms. For instance equity of Nigerian bottling company is traded on the floor of Nigeria stock exchange. The inflow of foreign investors will not only increase the equity value of the firm, but will also enhance market capitalization and all share price index of the Nigerian stock exchange.
- **Portfolio Investment in bonds:** The diversification theory of portfolio investment spreads among the various capital market instruments is a mechanism for management risk. But also have the potentials of increasing the performance indicators of the recipient country.
- **Investment in government securities:** Apart from corporate securities, government securities also attract foreign investors, because it is assumed to be risk-free. Increase in inflow can enhance the performance indices of the recipient country.
- **Portfolio Investment in Exchange Rate:** This is a monetary policy instrument that regulates the external sector of the economy. The inflow and outflow of investment across national borders is determined by exchange rate of the foreign investors and recipient country, just as rate of return or interest rate determined domestic investment. The depreciating Nigerian naira exchange rate will attract foreign portfolio investors, which enhances the performance of the capital market.

3.2 Data Analysis Method

In analyzing the data, and results of this study, the multiple regressions with the Econometric view. This is used to test the hypotheses and the variables in the study.

Estimation Procedure

3.2.1 Unit Root

Dickey and Fuller looked at the distribution of this kind of test statistic and found that OLS estimates are biased down (towards stationary) and OLS standard errors. Thus, it is possible that many series that would have thought were stationary based on OLS regression were in fact generated by random walks (Cochrane, 2005) the

study will therefore subject all the variables to unit root test, using the augmented Dickey Fuller (ADF) test specified in Gujarati (2004) as follows.

$$\Delta y_t = \beta_1 + \beta_2 + \delta y_{t-1} + \alpha \sum_{i=1}^m \Delta y_{t-i} + \epsilon_t \dots \dots \dots 3$$

Where:

Δy_t = change time t

Δy_{t-1} = the lagged value of the dependent variables

Σ_t = White noise error term

If in the above $\delta = 0$, then we conclude that there is a unit root. Otherwise there is no unit root, meaning that it is stationary. The choice of lag will be determined by Akaike information criteria.

3.2.2 Cointegration Test

In order to avoid spurious estimates, we intend to establish long-run relationship between the variable included in the model and Engle-Granger Approach to co integration will be adopted. This approach is based on conducting unit root test on residual obtained from the estimated regression equation. If the residual is found to be stationary at level, we conclude that the variables are cointegrated and as such as long-run relationship exists among them.

$$TA_t = w_0 + \sum_{i=1}^i \rho_i TA_{t-i} + \sum_{i=1}^j \omega_i TA_{jt-i} + \mu_{1t} \dots \dots \dots 4$$

In the equation above, ASPI/MKCT is the strength of Nigerian Capital Market. The regression will determine whether or not Nigerian foreign portfolio inflow affects Nigerian capital market performance positively or negatively.

3.2.3 Granger Causality Test

The main objective of this study is to investigate the causality between the independent and the dependent variables. Granger (1996) proposed the concept of causality and ergogeneity: a variable Y_t is said to cause X_t , if the predicted value of X_t is ameliorated when information related to Y_t is incorporated in the analysis.

4. Data Presentation and Analysis of Results Presentation of Results

Table 1: Results of Static OLS Regression of Model

Model	Variable	Coefficient	Standard Error	T-Statistics	Probability
1. ASPI	Intercept	143.4465	750.5467	0.191123	0.8503
	NFPI	0.190868	0.029193	6.538103	0.000
	PIE	0.086646	0.029193	1.548630	0.1364
	PIB	-0.520684	0.468963	-1.110288	0.2794
	PIGS	-0.371395	1.486963	-0.249862	0.8051
	EXR	0.007304	0.021552	0.338898	0.7381
	R ²	0.803279			
	ADJR ²	0.756441			
2. MKCP	Intercept	1614781.	1227974	1.314995	0.2015
	NFPI	-12.17253	25.45797	-0.478142	0.6371
	PIE	212.6990	85.79699	2.479096	0.0209
	PIB	-1202.984	830.7092	-1.448141	0.1611
	PIGS	-2786.872	2513.737	-1.108657	0.2790
	EXR	4.992292	42.06899	0.118669	0.9066
	R ²	0.239032			
	ADJR ²	0.073604			

Source: Author's computation

From the table above, model one show an R² and Adjusted R² of 0.803 and 0.756 which means that 80.3% and 75.6% variation in Nigerian Capital Market All Share Index can be explained by variation in the independent variables formulated in the model, model 2 shows that 23.9% and 7.3% variation in Nigerian Capital Market Capitalization can be explained by the explanatory variables. Model 1 shows that PIB and PIGS have negative

relationship with All Share Price Index, while model 2 shows that NFPI, PIB and PIGS have negative relationship with market capitalization.

Table 2: Autocorrelation and overall significance of Regression Model

Autocorrelation	Model	Durbin Watson Statistics	Autocorrelation Presence	Type
Test	1	2.089151	Presence	Positive
	2	2.054879	Presence	Positive
	Model	F-Statistics	Probability	Remark
Model Overall Significant F-Test	1	17.15006	0.000001	Very high
	2	1.444934	0.246081	Very low

Source: Author's computation

The result presented in the above table, shows the positive presence of serial auto correlation in the models, the overall significance shows that the model 1 is significant while model 2 is not significant.

Table 3: Unit Root Test

Variable	Critical 1%	5%	10%	Adf Statistics	Lag	Remark
At Level						
ASPI	-3.681914	-2.19183	-2.625121	0.44851	2	Non-stationary
MKCP	-3.681914	-2.19183	-2.625121	-5.085272	2	Non-stationary
NFPI	-3.681914	-2.19183	-2.625121	-7.452394	2	Non-stationary
PIE	-3.681914	-2.19183	-2.625121	-6.28197	2	Non-stationary
PIB	-3.681914	-2.19183	-2.625121	-6.907999	2	Non-stationary
PIGS	-3.681914	-2.19183	-2.625121	-11.28601	2	Non-stationary
EXR	-3.681914	-2.19183	-2.625121	-8.660356	2	Non-stationary
At Difference						
ASPI	-3.681914	-2.19183	-2.625121	5.389412	2	Stationary
MKCP	-3.681914	-2.19183	-2.625121	-2.288303	2	Stationary
NFPI	-3.681914	-2.19183	-2.625121	0.565253	2	Stationary
PIE	-3.681914	-2.19183	-2.625121	-6.285197	2	Stationary
PIB	-3.681914	-2.19183	-2.625121	-6.468982	2	Stationary
PIGS	-3.681914	-2.19183	-2.625121	-7.220513	2	Stationary
EXR	-3.681914	-2.19183	-2.625121	-10.95431	2	Stationary

Source: Author's computation as extracted

The table above shows the analysis of the Augmented Dickey Fuller Test Statistics. It shows that all variables are not stationary at level but stationary at difference.

Table 4: Johansen Cointegration Test (Trace Test)

Model	Hypothesized Null	Eigen Value	Trace Statistics	Critical 5%	Value At	Probability	Remark
1. ASPI	$r \leq 0$	0.954082	156.0382	95.75366	0.0000	Significant	
	$r \leq 1$	0.674119	79.01559	69.81889	0.0077	Significant	
	$r \leq 2$	0.644179	50.98502	47.85613	0.0247	Significant	
	$r \leq 3$	0.506230	25.15182	29.79707	0.1561	Not Significant	
	$r \leq 4$	0.241908	7.509662	15.49471	0.5192	Not Significant	
	$r \leq 5$	0.023164	0.585902	3.841466	0.4440	Not Significant	
2. MKCP	$r \leq 0$	0.945733	1666350	95.75366	103.18	Significant	
	$r \leq 1$	0.707007	87.96130	69.81889	0.0000	Significant	
	$r \leq 2$	0.588251	54.81592	47.85613	0.0009	Significant	
	$r \leq 3$	0.453504	30.85769	29.79707	0.0097	Significant	
	$r \leq 4$	0.292913	14.54355	15.49471	0.0376	Significant	
	$r \leq 5$	0.174734	5.185322	3.841466	0.0629	Not Significant	

Source: Author's computation

The results presented in the above table choose the stable and long run relationship between the independent and the dependent variables in the models.

Table 5: Johansen Cointegration Test (Maximum Eigen)

Model	Hypotheses Null	Eigen value	Maximum Eigen	Critical Value at 5%	Probability	Remark
1. ASPI	$r \leq 0$	0.954082	77.02264	40.07757	0.0000	Significant
	$r \leq 1$	0.674119	28.03057	33.87687	0.2121	Not Significant
	$r \leq 2$	0.644179	25.83320	27.58434	0.0823	Not Significant
	$r \leq 3$	0.506230	17.64215	21.13162	0.1438	Not Significant
	$r \leq 4$	0.241908	6.923760	14.26460	0.4982	Not Significant
	$r \leq 5$	0.023164	0.585902	3.841466	0.4440	Not Significant
2. MKCP	$r \leq 0$	0.945733	78.67368	40.07057	0.000	Significant
	$r \leq 1$	0.707007	33.14538	33.87687	0.069	Not Significant
	$r \leq 2$	0.588251	23.95823	27.58434	0.1362	Not Significant
	$r \leq 3$	0.453504	16.31414	21.13162	0.2070	Not Significant
	$r \leq 4$	0.292913	9.358228	14.26460	0.2576	Not Significant
	$r \leq 5$	0.174734	5.185322	3.841466	0.0228	Not Significant

Source: Author's computation

The results presented in the above table choose the stable and long run relationship between the independent and the dependent variables in the models.

Table 6: Normalized Co integration Results

Variable	Coefficient	Standard error	Type	Remark
ASPI	1.000000			
NFPI	2.638675	0.16356	negative	Expected
PIE	-7.008705	0.3966	negative	Not expected
PIB	4.752103	1.44059	negative	Not expected
PIGS	56.73859	4.88216	positive	Expected
EXR	-0.209000	0.07347	negative	Not expected
LOG LIKELIHOOD		-	-	-
MKCP	0.0000			
NFPI	4.753615	1.25885		
PIE	-8.178754	3.03862	Negative	Not expected
PIB	43.23362	16.8056	Positive	Expected
PIGS	31.63909	58.4390	Positive	Expected
EXR	1.0000	0.000	Negative	Not expected

Source: Author's computation

The table above reveals the long run relationship between the dependent and the independent variables in the models.

Table 7: Pair wise Granger Causality Test: Model I

Pairwise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
EXR does not Granger Cause ASPI	27	0.03881	0.9620
ASPI does not Granger Cause EXR		0.29521	0.7473
NFPI does not Granger Cause ASPI	27	3.39259	0.0520
ASPI does not Granger Cause NFPI		6.40120	0.0064
PIB does not Granger Cause ASPI	26	0.90906	0.4182
ASPI does not Granger Cause PIB		0.04577	0.9554
PIE does not Granger Cause ASPI	27	6.64787	0.0055
ASPI does not Granger Cause PIE		8.87283	0.0015
PIGS does not Granger Cause ASPI	25	0.00071	0.9993
ASPI does not Granger Cause PIGS		0.48612	0.6221

The objective of Granger Causality is to examine the casual relationship running from the dependent to the independent variables and from the dependent variables. From the above, the probability value shows a bi-

directional relationship running through NFPI to ASPI to NFPI, it also runs from PIE to ASPI and ASPI to PIE while others are independent showing no causal relationship between the variables.

Table 8: Pairwise Granger Causality Tests Model II:

Pairwise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
MKCP does not Granger Cause EXR	27	0.06025	0.9417
EXR does not Granger Cause MKCP		0.06183	0.9402
NFPI does not Granger Cause MKCP	27	2.47591	0.1072
MKCP does not Granger Cause NFPI		0.33641	0.7179
PIE does not Granger Cause MKCP	27	3.54421	0.0463
MKCP does not Granger Cause PIE		8.88733	0.0015
PIB does not Granger Cause MKCP	27	0.09087	0.9135
MKCP does not Granger Cause PIB		0.09359	0.9110
PIGS does not Granger Cause MKCP	27	0.57749	0.5696
MKCP does not Granger Cause PIGS		2.32293	0.1215

5. Discussion of Findings

The Nigerian capital market over the three decades attracts attention of the government and the regulatory authorities that result in reforms, for instance, the internationalization of the Nigerian capital market have the objective of attracting of foreign portfolio investors. The deregulation of stock price in 1993 was also aimed at attracting foreign investors (Onoh, 2002). The objective of this study is to examine the extent to which foreign investment has affected the performance of Nigerian capital market.

From model one; the result found that 80.3% variation in All Share Price Index can be traced to the independent variables examined in the study. This means that foreign portfolio have significant effect on the performance of Nigerian capital market measured by All Share Price Index. The finding confirms the objective of the capital market reform and the A-priori expectation of the result. However, foreign bond investment and foreign government security investment have negative relationship with All Share Price Index which is contrary to the expectation of the result. The negative relationship can be traced to liquidity challenges in the international monetary system such as the global financial crises. The negative relationship of the variables invalidates the capital market reforms. Model two reveals that 23.9% variation in the market capitalization can be traced to the predictor variables in the model. It shows that Net Foreign Portfolio Investment, Portfolio Investment in bonds and Portfolio Investment in Government Securities have negative relationship with Market Capitalization which is contrary to the expectation of the results. However, foreign investment in equities and exchange rate has positive relationship on Nigerian capital market capitalization. The overall findings of this study confirm that there is relationship between foreign Portfolio Investment and the performance of Nigerian capital market.

6. Conclusion

To recall that the objectives of this study is to examine the relationship between Nigerian capital market indicators and inflow of foreign portfolio investment in Nigeria capital market, the data was sourced from Central Bank of Nigeria Statistical Bulletin. The study adopts the multiple regression using econometric view and descriptive analysis to examine the relationship between the dependent and the independent variables. From the findings of the study, from the findings of the study, foreign portfolio has more significant effect on All Share Price Index than the market capitalization. From the above the study concludes that the independent variables examined in the study have significant relationship with the performance of Nigerian capital market.

7. Recommendations

- Monetary and macroeconomic policies should be reformed and re-structured to achieve the macroeconomic policy targets for better inflow of foreign portfolio investments and the monetary authorities should engage on drastic measures to overhaul the investment climate to attract foreign portfolio investors into Nigeria.

- The financial sector should further be reformed and re-structured to enhance the inflow of foreign portfolio investors and Interest rate should be deregulated fully to allow for the market force of demand and supply determines the market rate of return.
- The Nigerian capital market should further be reformed and deepened to international standard to enhance the inflow of foreign investors and the exchange rate market should properly be managed, consistent exchange rate policies should be used and flexible exchange rate regime should be introduced for effective management of Nigerian External Sector.
- The monetary policy should make policies that will avert financial sector crisis in Nigeria and Policies should properly be device to manage the negative effect of international monetary crisis on the inflow of foreign portfolio investment.
- The international liquidity system and the international monetary policy should be well examined; the existing policies should be reviewed to avert the negative effect of global liquidity crisis that can negatively affect the inflow of foreign investors and capital market performance.
- The Nigerian investment climate should be reviewed, an international investment treaties be revisited to enhance the inflow of foreign portfolio investors.

8. Contribution to Knowledge

This study examined foreign portfolio and the performance of Nigerian capital market using time series data. From the findings of the study, the following is contributed to the existing body of knowledge in finance.

- The inflow of foreign portfolio investment to the Nigerian capital market can affect the growth development and enhance the performance of the capital market.
- The period covered in the study captured the post Structural Adjustment Programme period and various reforms in the Nigeria financial system therefore it contribute by examining the relationship that exist between the period, foreign portfolio inflow and the performance of capital market.
- The use of Exchange Rates as independent variable contribute to the knowledge on the effect of exchange Rate volatility such as the depreciating Naira exchange rate on the performance of the capital market

References

- Agarwal, R. N., (2006): Foreign portfolio investment in some is developing countries: A Study of Determinants and Macroeconomic Impact. *International Journal of economics and finance*. 15(28) 78-112.
- Anayochukwu, O. B., (2012). The impact of stock market returns on foreign portfolio Investments in Nigeria. *Journal of Business and Management* 2 (4), 10-19.
- Arestis, P., Demetriades, P. O., & Luintel, K.B., (2001) .Financial development and economic growth: The Role of Stock Markets. *Journal of Money, Credit and Banking*. 33 (2), 16-41.
- Atje, R., & Jovanovic, I., (1993) .Stock market and development. *European Economic Review*. 37, 632-640.
- Bekaert, G., & Harvey, C.R., (2003). Emerging market finance. *Journal of Empirical Finance*. 10, 3 – 55.
- Bollerslev, T., (1986). Generalized Autoregressive Conditional Heteroscedasticity. *Journal of Econometrics*, 31 pp 307-327.
- Brennan, M. J., & Xia, Y., (2001) .Stock Price Volatility and Equity Premium. *Journal of Monetary Economics*. 47, 249 – 283.
- Brooks, C., & Burke, S. P., (2003). Information Criteria for GARCH Model Selection: An Application to High Frequency Data. *European Journal of Finance*. 9 (6) 557-580.
- Carlson, M. A., & Hernandez, Q., (2002). Determinants and Repercussion of the Composition of Capital Flows. *IMF working Paper* 02186.
- Central Bank of Nigeria (2012). *Statistical Bulletin and Statement of Accounts*. Various Years.
- Chanda, A., (2000). The Influence of Capital Control on Long-Run Growth: where and how much? *Working paper, North Caroline State University*.
- Chandra, P., (2006). *Investment Analysis and Portfolio Management*. New Delhi: Tata McGraw- Hill Ltd, 2nd edition.
- Chi-chi, O.A., & Eze, A. L., (2013). Impact of Macroeconomic Indicators on the Performance if Foreign Portfolio Investment in Nigeria. *European Journal of Business and Management*. 5(2), 345-367.
- Choe, H., & Stulz, R., (1999). Do Foreign Investors Destabilize Stock Market? The Korean experience in 1997. *Journal of Financial Economics*, 54(2): 227-264.
- Chukwuemeka, E. P., (2008). Modeling the long run determinants of foreign portfolio investment in an emerging market: Evidence from Nigeria. *International conference on Applied Economic-ICOAE*.
- Dellas, H., & Martin, K., (2002). Financial Development and Sensitivity of Stock Markets external Influence. *Review of International Economics*. 10(3), 525-538.

- Dimirguc-Kunt, A., & Levine, R., (1996). Stock Market Development and Financial Intermediaries: Stylized Facts. *The World Bank Economic Review*. 10 (2) 241-265.
- Donwa, P., & Odi, J., (2010). An Empirical Analysis of the Impact of the Nigerian Capital Market on Her Socio-Economic Development. *Journal of Social Sciences*. 24 (2), 135-142
- Ekineh, D., (2003). Deepening the Nigerian Capital Market: Regulatory, Supervisory and Operational Imperative in a Global financial Environment. Abuja: *Security and Exchange Commission*.
- Errunza, V., (2005). Foreign Portfolio Equity Investments, Financial Liberalization, and Economic Development. *Faculty of Management, McGill University, Montreal, Canada*
- Eskandar, T., (2005). Modeling and Forecasting Egyptian Stock Market Volatility Before and After Price Limits. *The Economic Research Forum Working paper*.
- Ezirim, B.C., (2005). *Finance Dynamics Principles, Techniques & Applications*. Markowitz Centre for Research & Development Port Harcourt.
- Frimpong, J. M., & Oteng-Abayie, E. F., (2006). Modeling and Forecasting Volatility of Returns on the Ghana Stock Exchange Using Garch Models. *American Journal of Applied Sciences*. 3 (10), 2042 - 2048.
- Gould, D. et al. (1993). The Theory and Practice of Free Trade. *Federal Reserve Book of Dollar Economic Review, Fourth Quarter*: 3-15.
- Henry, P.B., (2000). Stock Market Liberalization Economics Reform and Emerging Market Equity Prices. *Journal of Finance* 55, 529-564.
- Hongyu, P., & Zhichao, Z., (2006). Forecasting Financial Volatility: Evidence from Chinese Stock Market. *Working Paper in Economics and Finance*, No.06/02, University of Durham.
- International Monetary Fund (IMF) (1985). Foreign Private Investment in Developing Countries. *International Monetary Fund, Washington D.C.*
- Kahneman, D; and Tversky, A. (1986). Choices, Values and Frames. *American Psychologist*. 6, 341-350.
- Karimo, T.M., & Tobi, D.B., (2013). Macroeconomic uncertainty and foreign portfolio investment volatility: Evidence from Nigeria. *www.iiste.org* 3 (12).
- Kassimatis, K., (2002). Financial Liberalization and Stock Market Volatility in Selected Developing Countries. *Applied Financial Economics*. 12, 389 – 395.
- Kim, E.H., & Singal, V., (2000). Stock Market Openings: Experiences of Emerging Economies. *Journal of Business* 73, 25-66.
- Knill, A. M., (2005). Can Foreign Portfolio Investment Bridge the Small Firm Financing Gap around the World? *World Bank Policy Research Working Paper 3796, the World Bank Group Washington, DC 20433*
- Kulwant, R., & Bhanumurthy, N. R., (2007). Determinants of Foreign Institutional Investment in India: The Role of Return, Risk and Inflation. *Development Planning Centre, Institute of Economic Growth Delhi University Enclave, Delhi – 110 007, India*.
- Lebragacio, R., (2010). Components of Foreign Capital Flows and Economic Progression: *Panel Data Evidence from MENA Countries. ACT Mimeograph*.
- Lee, C. H., (2007). A Survey of the literature on the determinants of foreign portfolio investments in the United States. *Journal Review of World Economics Springer Berlin* 43(113) 233-278.
- Lucas, E.R., (1981) *Studies in Business-Cycle theory*. Cambridge Mass: MIT Press.
- Mala, R., & Reddy, M., (2007). Measuring Stock Market Volatility in an Emerging Economy. *International Research Journal of Finance and Economics*, 8, 126-133.
- Moreno, R. (1993). Are World Incomes Converging? *Federal Reserve Bank of San Francisco*, 26: 26-57.
- Nyong, M. O. (2003). Predictability and Volatility of Stock Returns in Three Emerging Markets: Nigeria, South Africa and Brazil. *Nigeria Journal of Economics and Development Matters*, 2 (1), 12-29
- Obadan, M. I. (2004). Foreign Capital Flows and External Debt Perspectives on Nigeria and the LDC's group. Ibadan: Ibadan University Printer.
- O'Connor, T. & Iscarlot, H., (2010). Trade Liberalization, Employment, Capital and Productivity Dynamics. *Latin American Economic Society* 14(7), 178-204.
- Odiyonye, J.C., (2011). An Empirical Analysis of the Relationship between Exchange Rate and Stock Prices in Nigeria. *Unpublished M.Sc Thesis, University of Nigeria, Nsukka*.
- Ogujiuba, V., & Obiechina, C., (2012). Foreign Private Capital, Economic Growth and Macroeconomic Indicators in Nigeria: An Empirical Framework. *Canadian Center of Science and Education URL*, 23, 670-765.
- Ogum, G.; Beer, F., & Nouyrigat, G., (2005). Emerging Equity Market Volatility: An Empirical Investigation of Markets in Kenya and Nigeria. *Journal of African Business*, 6 (1&2) ,139-154

- Okereke-Onyiuke, N (2001). The Nigerian Stock Exchange as a Vehicle for Capital Mobilization and Allocation to Productive Sectors. Being a paper presented to participants of senior executive course No 23 of the National Institute for Policy and Strategic Studies, Kuru, Plateau State. March 16, p12.
- Okpara, G. C., (2010) .Analysis of Weak-Form Efficiency on the Nigerian Stock Market: Evidence from GARCH Model. *The International Journal of Applied Economics and Finance*, 4, 62-66.
- Olotu, M. E., & Kaine, A. I. N., (2011). Globalization and Aggregate Employment Nexus: A Recent Experience of the Nigerian Industrial Sector. *Journal of Research in National Development*. 9(2) 177-229.
- Oluba, N. M., (2008). Foreign investors strategies and corporate preparedness In Nigeria. *Economic Reflections*, 8(23) 26-31.
- Olugunde, A.O., Elumilade, D.O., & Asaolu, T.O., (2006). Stock Market capitalization and interest Rate in Nigeria: A time series analysis. *International Research Journal of Finance and Economics*, 3(2) 188-212.
- Onoh, J.K., (2002): *Dynamics of money, Banking and Finance in Nigeria. An emerging market*: Astra Meridian publishing, Lagos.
- Onyiuke, N. O., (2009). A review of market performance in 2009 and the outlook for 2010. The Nigerian stock change. *Journal of Nigerian Stock Exchange*, 2: 17-21.
- Osaze, E. B. (2000) *The Nigerian Capital Market in the African and Global Financial System*. Benin City: Bofic Consulting Group limited.
- Oyejide, T.A. (1994). The Financial System and Economic Growth in the Context of Political Transition. *Central Bank of Nigeria Economic and Financial Review*, 12 (3), 260- 267.
- Parthapratim, P., (2006). Foreign portfolio investment Stock market and economic development: A case study of India: *Draft paper submitted for the Annual conference of Development and Change mission promoting development in a globalized world*.
- Porteaba, J. M., (2000). Stock Market Wealth and Consumption. *Journal of Economic Perspectives*, 14 (2), 99-118
- Prasand, E.S., R.G. Rajan, and A. Subramanian (2007): Foreign Capital and Economic Growth. *Working Paper 13619 National Bureau of*
- Roubini, N., & Sala-Martin, X., (1991). Financial Development, the Trade Region and Economic Growth. National bureau for economic research. *Cambridge Mass working paper: 102-118*.
- Sachs, J. D., Tornell, A., & Velasco, A., (1996). Financial crisis in emerging markets: The Lessons from 1995, *Brooking papers on economic activity*, 1: 147–217.
- Yartey, C. A., (2008). The determinants of stock market development in emerging economies—Is South Africa different? *IMF working paper WP/08/32*.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).