

The Estimated Effect of Foreign Portfolio Investment on Stock Market Development: A Time Series Study from Nigeria

Dr. Ebi R. Odi and Dr. Greatness U. Oji

Department of Finance and Banking
University of Port Harcourt, Rivers State, Nigeria

DOI: [10.56201/wjfir.v8.no1.2024.pg64.84](https://doi.org/10.56201/wjfir.v8.no1.2024.pg64.84)

Abstract

This study focused on the effect of foreign portfolio investment on the development of Nigeria stock market using time series data from 2005-2021. The required data were sourced from Central Bank of Nigeria Statistical Bulletin. Stock market development was modeled as the function of foreign portfolio investment in equity, security, money market and bonds. Ordinary least square methods were used. Unit root test, cointegration test, granger causality test and error correction estimates were used to study the dynamic effect of foreign portfolio investment on the development of Nigeria stock market. The study found that 50.6 percent variation in development of stock market was traced to foreign portfolio investment. The study concludes no significant relationship between foreign portfolio equity investment and the development of Nigeria stock market, significant relationship between foreign portfolio stock investment, foreign portfolio in bonds foreign portfolio in money market and the development of Nigeria stock market. From the findings, it is recommended that financial policies should be deepened by the financial sector regulatory committee to attract foreign portfolio investment in Nigeria.

Keywords: *Foreign Portfolio Investment, Stock Market Development, Foreign Equity Investment*

INTRODUCTION

Foreign portfolio investment consists of securities and other fiscal resources inactively held by alien investors. Foreign portfolio investment does not provide the investor with direct ownership of financial assets, and thus no direct management of a company. This kind of investment is relatively liquid, depending on the volatility of the market invested in as is usually used by investors who do not want to manage a firm abroad. Foreign portfolio investment (FPI) is an important source of investment inflows to an economy. FPI investors usually make shortterm investments in domestic security of foreign country with expectation of earning return on it after weighing the expected risk. Nigeria in the last few years had clamored for foreign portfolio investment to the country as this is believed to be a facilitator of economic growth and development, which could lead to industrialization of the economy in the long run (Adeleke et al, 2004).

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; Lucky, 2018).

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 inflows and outflows of FPI take place at stock market exchange. According to Nigerian Stock Exchange (NSE) website, the NSE is a registered company limited by guarantee, founded in 1960 and is licensed under the Investments and Securities Act (ISA) and is regulated by the Securities and Exchange Commission (SEC) of Nigeria. Furthermore, the Exchange offers listing and trading services, licensing services, market data solutions, ancillary technology services and more. In addition, the NSE on a monthly basis, polls trading figures from major custodians and market operators on their foreign portfolio investments (FPI) and market capitalization. Yartey (2008), stated that market capitalization as a percentage of Gross Domestic Product (GDP) can be used to measure stock market growth in an economy. According to Yartey(2008), political risk and

institutional quality are strongly associated with growth in stock market capitalization and that the development of good quality institutions (resolution of political risk) can be an important factor in the development of stock markets. He asserted that stock markets are expected to accelerate economic growth by providing a boost to domestic savings and increasing the quantity and the quality of investment. Demirguc-Kunt and Levine (1996) found that most stock market indicators are highly correlated with banking sector development. In their view, countries with well-developed stock markets tend to have well-developed banking sector. They investigated other indicators of stock market development and growth, such as number of listed companies, changes in the stock market index, and an index of stock market size and liquidity. Critics of the stock market, however, argued that the actual operation of the pricing and takeover mechanism even in well-functioning stock markets lead to short termism and lower rates of long term investment particularly in firm specific human capital. These critics argued that, it also generates perverse incentives, rewarding managers for their success in financial engineering rather than creating new wealth through organic growth (Singh, 1997). Critics further argued that stock market liquidity may negatively influence corporate governance because very liquid stock market may encourage investor myopia. Since investors can easily sell their shares, more liquid stock markets may weaken investors' commitment and incentive to exert corporate control (Bhide, 1994). These problems further magnified the volatility nature of stock market which it has in common with foreign portfolio investment as a source of foreign capital.

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 examined the effect various portfolio investment and the effect on the development of Nigeria stock market.

REVIEW OF RELATED LITERATURE

Stock Market Development

According to Okereke (2000) stock market is defined as the section of the financial system that is responsible for channeling of funds from the surplus to deficit economic limits on a long-term basis. The stock market as an institution is rather a network of specialized financial institutions that in various ways bring together suppliers and users of fund. These institutions include Merchant Banks, Stock Broking Firms, Issuing House, Venture Capital Companies, Unit Trust Scheme, the Central Bank, the Securities and Exchange Commission and Stock Exchange which is the hallmark

of the Stock Market. Stock Market development is categorized using three main characteristics: traditional, institutional and asset pricing (Demirgüç-Kunt and Levine 1996).

Stock market development may influence corporate control. Jensen and Murphy (1990) show that efficient stock markets help mitigate the principal-agent problem. Efficient stock markets make it easier to tie manager compensation to stock prices. This helps align the interests of managers and owners. Furthermore, Laffont and Tirole (1988) and Scharfstein (1988) argued that takeover threats induce managers to maximize the firm's equity price. Thus, well-functioning stock markets that ease corporate takeovers can mitigate the principal-agent problem and promote efficient resource allocation and growth.

Opinion differs on this issue too. Stiglitz (1985) argues that outsiders will be reluctant to take over firms because outsiders generally have worse information about firms than existing owners. Thus, the takeover threat will not be a useful mechanism for exerting corporate control; stock market development, therefore, will not importantly improve corporate control Stiglitz (1985). Shleifer and Vishny (1986) and Bhidé (1993) argued that greater stock market development encourages more diffuse ownership and this diffusion of ownership impedes effective corporate governance. Finally, Shleifer and Summers (1988) noted that by simplifying takeovers, stock market development can stimulate welfare-reducing changes in ownership and management. In terms of raising capital, Greenwood and Smith (1997) show that large, liquid, and efficient stock markets can ease savings mobilization. By agglomerating savings, stock markets enlarge the set of feasible investment projects. Since some worthy projects require large capital injections and some enjoy economies of scale, stock markets that ease resource mobilization can boost economic efficiency and accelerate long-run growth.

Foreign Portfolio Investment

Foreign portfolio investment is an investment activity that involves the purchase of bonds, stocks or money market instruments for shorter time period in foreign country. Because of its short term nature, it provides opportunity to investors to take advantage of favorable interest rate and exchange rate for buying and selling the security. It is an investment in the foreign secondary market and its purpose is to obtain higher return. This task can be completed through passive holding of shares or through active trading of securities in the financial or capital markets. It improves liquidity position of host economy and also helps to increase the foreign reserves that result in stability of exchange rate.

Firstly, the foreign portfolio investment (FPI) is affective for obtaining higher return and decreases risk through international diversification. Secondly, it plays a significant role in the economic growth of the host country. Thirdly, it encourages investment of new funds in the country due to which investment level would increase. Foreign portfolio investment (FPI) is one of the crucial capital flows and in current economic conditions, it is extremely important as the market risk is very high due to instable political conditions, and the foreign investors are avoiding investment in Pakistan, therefore, foreign investors can be attracted to invest in Pakistan through FPI. Although, it is a shorter time period investment but it may be helpful to attract foreign investors in Pakistan. But unfortunately, the present conditions of Pakistan's economy and stock markets are unstable.

Economists suggest that stock exchange is the indicator of an economy, and the stock market of Pakistan is in deep crisis.

Portfolio investment usually involves the movement of capital across national borders and positions involving debt or equity securities, other than those included in direct investment or reserve assets (World Bank, 1993). World Bank (1993) defines portfolio flows to consist of bonds, equity (comprising direct stock market purchases and country funds) and money market instruments such as certificates of deposits and commercial papers. UNCTAD (1999) also defines portfolio flow as a cross border transaction of financial assets in securities, a company's assets or through the financial market. Portfolio investment therefore includes the transfer of assets by way of investing in securities such as bonds, bank loans, stocks, derivatives and other forms of credit (e.g. pledges and trade). Investors are more interested in reaping the maximum return on their investment for a given level of risk and FPI normally have a shorter time horizon. Portfolio investment therefore tends to be volatile in nature. While volatility may create opportunities for arbitrage profit and encourage market efficiency; it can also result to economic disturbance specially, in a boom or bust period.

Various approaches are used to examine the determinants of foreign portfolio investment (FPI). The portfolio is often divided into three categories, including country, industry, and firm levels. Most research focuses specifically on the country-level, specifically the relationship between exchange rates and foreign portfolio investment flows, including Garg & Dua (2014), Anggitawati & Ekaputra (2018), dan Caporale et al. (2017), Gumus et al. (2013). Garg & Dua (2014), using a sample of India and the ARDL method, established that portfolio inflows were influenced by lower exchange rate volatility and appreciation, and greater risk diversification opportunities. The increase in FPI in form of domestic bonds often strengthens the local exchange rate. Domestic appreciation tends to increase FPI in the bond market. In the domestic stock market, there is only a one-way relationship, where only the domestic exchange rate has a significant impact on FPI movements on the Indonesian stock market. In this regard, the FPI on the stock market does not affect the domestic exchange rate. These results contravene Gumus et al. (2013), which established that FPI is only influenced by the industrial production index, rather than the exchange rate. 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 and investment savings in these countries (especially the developing countries), which places constraint on capital formation and hence growth.

Theoretical Review

The Push Factor Theory

This theory explains the cause of FPI to external factors other than what happens in the domestic country. Among the push factors, a prominent role has been attributed to slow economic growth rate and low interest rate of industrialized countries (Calvo and Reinhart, 1998). Additionally, the increasing appetite of investors towards international diversification may also push capital flows into emerging economies (Calvo et al., 1996). Empirically, scholars such as Calvo et al. (1993) and Fernandez-Arias (1994) attributed the increase in capital inflows of developing countries in the 1990's to the decline in the US interest rate. Another key push factor identified by these authors is the rise in the tax rate of multinational corporations. While there are considerable numbers of literature which explain capital flows to emerging countries to be induced by a recession in industrialized countries, a contrast view has been provided once for developed countries.

Jeanneau and Micu (2002) indicated that robust economic activities in industrialised countries are significant in explaining portfolio inflows of developing countries. Another set of domestic factors in literature are the contagion effect. Contagion has gained much attention in literature since the Asian crises in 1997-1999. It generally explains circumstances between groups of countries. Masson (1999) identifies three transmission mechanisms of contagion. These are the monsoonal effect, the spillover effects and the shift or pure contagion.

The monsoonal effect (such as real interest rate of major developed countries) is believed to be factors that affect a number of countries simultaneously especially, countries in the same region or with similar economic conditions. The spillover affects generally results from trade and financial channels. Trade channels include market competition and import price changes while financial channels results from PI. Hence, a loss of competitiveness for country "A" for instance may cause a currency depreciation of country "B", suppose both countries are linked by commercial operations. On the other hand a simultaneous crises resulting from any of the above factors, is referred to as the pure contagion or shift contagion (Masson, 1999 and Forbes and Rigobon, 2002). For instance, a change in investors' sentiments may yield reversal of funds and trigger financial crises.

Forbes and Rigobon (2002) and Kleimeier and Sander (2003) assessed the contagion factors provided by Masson (1999). They provided evidence that the first two of Masson's factors may be channels where external shocks are usually transmitted and that, only the third factor could be contagion. This theory has important implications for policy design toward sustainable portfolio inflows of SSA. For instance once it is established that lower interest rate leads to an increase in PI of developing countries, an increase in such rates may hinder the ability of these countries to

sustain such inflows. This raises an important issue for policy makers in host countries as to whether the domestic response is likely to effectively consider the possibility of reversal.

The Pull factor Theory

The pull factor theory attributes the flow of capital to be as a result of the domestic fundamentals of the recipient country. These domestic factors include creditworthiness of a country, improvement in fiscal and monetary policies and neighbourhood externalities (interest rate and the price earnings ratio of the host country) (Calvo, et al, 1996). Haque, Mathieson and Sharma (1997) also identify an increase in domestic output and domestic money demand to be pull factors. Other domestic factors also include the performance of macroeconomic variables such as financial development, inflation, GDP growth rate, current account balance and gross domestic investment. Thus, to evaluate the level of sound economic policies and the sustainability of capital flows, investment environment, infrastructure as well as the quality of institutions are also included as key domestic factors. Many scholars (Chuhan et al, 1994 and Ul-Haque, Kamar, Mark, & Mathiesan, 1996) have identified pull factors to be the main significant factors that explain capital inflows of emerging economies in the 1990s. The authors argue that financial liberalisation among other factors such as privatisation of public enterprise and improvement in macroeconomic conditions have improved the credit worthiness of developing countries leading to international capital mobility. Basu and Srinivasan (2002) provided evidence from Africa that, well-structured economic reforms coupled with political and macroeconomic stability and natural resources have attracted foreign capital like FDI to these countries. Similarly Asiedu (2002) found that poor policy and restrictions in trade hinders capital flows to African countries. Asiedu (2002) considered these factors to be paramount in explaining the proportion of foreign capital inflows of African countries

Market Efficiency Theory

Efficient-market hypothesis (EMH) asserts that financial market is "informationally efficient". There are three major forms of the hypothesis: "weak", "semi-strong", and "strong". Weak EMH claims that prices on traded assets (for example, stock bonds, or property) already reflect all past publicly available information. Semi-strong EMH states that prices reflect all publicly available information and that prices instantly change to reflect new public information. Strong EMH additionally claims that prices instantly reflect even hidden or "insider" information. Efficient market theory implies that market will react quickly to new information. Thus, it is important to know when the accounting report first became publicly known. The accounting report is informative only if it provides data not previously known by the market. Stock market thrives on information. This is because information plays an essential role in reducing the investors' challenges in the capital market. Information is important to investors in helping them evaluate investment opportunities to decide how to allocate their savings. In addition, it is also important because it enables investors to monitor whether their resources have been used wisely by managers. Markets where information is irregular give opportunities for investors who are more informed to take advantage of those who are less informed, and make it more expensive for investors to buy or sell a security without affecting its price.

Empirical Review

Nwonodi (2018) 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.

Osuka, Ezedike and Mbanasor (2022) examined foreign portfolio investment (FPI) and growth of Nigeria's Capital Market using time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin for period of 1990 to 2020. Foreign Portfolio Investment into Nigeria and other control variables as external reserve, exchange rate and inflation rate collectively stood as the exogenous variables while Market Capitalization as proxy for capital market growth functioned as endogenous variable. The model of the study followed the Autoregressive Distributive Lag (ARDL) Bound test based on the mixed order of the data in $I(0)$ and $I(1)$ as indicated by the Augmented Dickey Fuller (ADF). The study found a long run positive relationship between foreign portfolio investment and Nigeria's Capital Market growth. On the long run effect of other explanatory variables, Exchange Rate made insignificant positive contribution; External Reserve had insignificant negative effect; while Inflation Rate was found as a significant negative contributor to the model. The study concludes that foreign portfolio investment shares long run positive relationship with Capital Market Growth in Nigeria. The study therefore recommends that, as part of its stabilization policy, the Nigeria's capital market regulatory authorities should give boost to the market, most importantly in the area of international competitive coupon rates and improved external reserve so that FPI inflow to Nigeria will experience boost by Foreign Investors who seek higher investment.

Okonkwo (2016) studied foreign portfolio investment and the growth of the industrial sector in Nigeria for the period of 1986 to 2013 using secondary data sourced through Central Bank of Nigeria Statistical Bulletin (2013) and International Financial Statistics. Using the ordinary least square method, the study found significant positive relationship existing among foreign portfolio investment, gross fixed capital formation, market capitalization and industrial growth. Onyeisi,

Odo and Anoke (2016) studied the impact of foreign portfolio investment inflows on stock market growth in Nigeria from 1986 to 2014. Data for the study was collected from the statistical Bulletin of Central Bank of Nigeria (CBN), annual reports and Statement of Account of various issues and online service from World Bank Indicators. The study used Augmented Dickey Fuller (ADF) Unit Root Test, vector error correction model and Granger Causality econometric tools. The findings of the trace statistics indicates one (1) co-integrating equation at 5% level of significance, the vector error correction model indicates long-run significant impact of foreign portfolio investment on stock market growth in Nigeria, and the Granger Causality shows there is no causality between foreign portfolio investment and stock market growth in the Nigerian economy. It found a negative relationship between FPI and the Nigerian capital market. The study inferred that foreign portfolio investment (FPI) inflows might not contribute positively to the increase in stock market when there is no conducive business environment for foreign investments to thrive in Nigeria.

Ohaeri (2017) examined the nature and direction of causality existing among foreign portfolio investments, capital flight and capital market performance in Nigeria using ex-post-facto and descriptive research designs. Data were collected from National Bureau of statistics, International Monetary fund, World Bank direction of trade websites, Security Exchange Commission reports and Nigerian Stock Exchange reports between 1970 and 2014. Data generated are analyzed using Vector Error Correction models and co-integration test subject to the outcome of the preliminary tests for conformity with econometric assumptions. The study found a unidirectional causality between capital market performance in one hand and also between foreign portfolio investment and capital flight on the other hand at 5% and 10% levels of significance respectively.

Adebisi and Arikpo (2017) evaluated the financial market performance and foreign portfolio inflow to Nigeria covering 1984 to 2015 data was sourced from the CBN statistical bulletin within the period of study. Financial market performance was measured using capital market performance, capital market liquidity and total new issues. The exploratory design was combined with the ex-post facto research design; the data collection method was desk survey. Making use of Autoregressive Distributive Lag (ARDL) technique, findings from the analyses showed that financial market performance has no long run causal relationship with foreign portfolio investment in Nigeria. Also, capital market performance and capital market liquidity have no short run causal relationship with foreign portfolio investment in Nigeria. Equally, total new issue has a short run causal relationship with foreign portfolio investment in Nigeria.

Olotu and Oliogu (2014) investigated the effect of foreign portfolio investment on stock market development in Nigeria, using data covering 1980 to 2010. The error correction technique of data

analysis was employed to determine the effect of FDI on the NSE. Domestic investment, degree of trade openness, real lending interest rate was statistically insignificant in determining the growth of the NSE. Government spending on financial assets, foreign direct investment and foreign portfolio investment were found to be exerting a statistically significant impact on the robustness of the NSE. Baghebo and Apere (2014) investigated the impact of foreign portfolio investment (FPI) on economic growth as well as the long run determinants of FPI in Nigeria, such that appropriate policies will be pursued to attract same in the long run. FPI has grown recently in proportion relative to other types of capital inflows to Nigeria before the wake of global financial crisis. A three stage methodological process was adopted; one was to check the stationary status of the variables using Augmented Dickey Fuller Unit Root test, which confirmed that the variables had unit root problems, the second was to check for the possibility of a long run relationship using Johansen co-integration test; the third was the parsimonious error correction result. The variables considered are foreign portfolio investment, inflation rate, market capitalization, trade openness. It discovers that foreign portfolio investment; market capitalization and trade openness has a positive long-run relationship with real gross domestic product in Nigeria. It recommended that authorities should look for ways of strengthening the workings of the capital market against fraudulence to ensure the free flow of foreign capital into the economy as this would boost domestic investment.

Eniekezimene (2013) studied the impact of foreign portfolio investment (FPI) on capital market growth by x-raying the growth of FPI in the market as well as the transmission channels through which changes in FPI affect growth of the market. Using Ordinary Least Squares (OLS) methodology with a Parsimonious Error Correction Model Specification, after testing for the stationary status (unit root) and long run relationship (co-integration) of the variables, his result showed that foreign portfolio investment has a positive impact on capital market growth with the speed of adjustment from short run to long run as indicated by the ECM-1 having a relatively high value of 66% in absolute terms. The study finally recommended appropriate and quick measures to reverse the current trend of nationalization in the demand deposit banks, improvement in the market's legal framework to ensure safety of investment and the sincere pursuit of the privatization program for a private sector growth led economy. Ohiaeri (2017) investigated the nature and direction of causality existing among foreign portfolio investments, capital flight and capital market performance in Nigeria using ex-post-facto and descriptive research designs. Data generated were analyzed using Vector Error Correction models and co-integration test subject to the outcome of the preliminary tests for conformity with econometric assumptions. Study findings disclosed a unidirectional causality between capital market performance in one hand and also between foreign portfolio investment and capital flight on the other hand at 5% and 10% levels of significance respectively. The study concluded that there was significant symbiotic connectivity among the examined variables in Nigeria and consequently, recommended an urgent review of capital importation policy, a robust regulatory framework and a re-investment incentive to discourage indiscriminate repatriation of investment proceeds outside Nigeria.

Okonkwo (2016) investigated the effect of foreign portfolio investment on industrial growth in Nigeria with the view to establish empirical relationship among foreign portfolio investment and

industrial productivity in Nigeria. Secondary data were employed in the study and were sourced from the Central Bank of Nigeria statistical bulletin 2013 edition and the International financial statistics (IFS). The ordinary least square (OLS) estimation technique was appropriately employed in the study. The findings of the study revealed that there was statistically significant positive relationship existing among foreign portfolio investment, gross fixed capital formation, market capitalization and industrial growth proxied by industrial production index (IPI) in Nigeria. The study recommended among others that proactive steps must be taken to expand market capitalization which was the major driver of foreign portfolio investment in order to keep stimulating industrial productivity in the economy.

METHODOLOGY

The research design or framework for this work is investigative research, which is geared towards studying relationship and causes and effects which involve rigorous econometric modeling and estimations. In simple terms, the study adopts the quasi-experimental research design. This is because the variable under study cannot be manipulated or is not under the control of researcher. The study is designed after correlation or regression research methodology. Here we try to see how two or more variables can relate or influence each other (Lucky, Akani, & Anyamaobi, 2015). This study used secondary data from Central Bank of Nigeria statistical Bulletin.

Model Specification

$$SMD = f(FEI, FSI, FBI, FPIMK) \quad (1)$$

To have the estimable version of above models 3.1 to can be rewritten to have

$$SMD = \alpha + \beta_1 FEI + \beta_2 FSI + \beta_3 FBI + \beta_4 FPIMK + \mu \quad (2)$$

Where

SDI = Stock market development measured as total market capitalization to broad money supply

FEI = Foreign equity investment

FSI = Foreign security investment

FBI = Foreign bond investment

FPIMK = Foreign portfolio investment in the money market

$\phi_0 \alpha_0 =$ Constant

$\beta_1 - \beta_5 =$ Coefficients of independent variables

$\mu_{it} =$ Error Term

A-Priori Expectation

Base on theories such as push and pull factors theory and empirical results examined in this study, the variables are expected to have a positive effect on the dependent variables. The mathematical implication is stated as follows: $\beta_1, \beta_2, \beta_3, \beta_4 > 0$

Data Analysis Techniques

Unit Root Test

The Augmented Dickey Fuller (ADF) unit root test is used to test the stationarity property of a time series data in order to avoid the spurious regression problem. The ADF unit root test is specified as

$$\Delta V_t = \alpha + \beta_1 V_{t-1} + \sum_{j=1}^k \beta_j \Delta V_{t-j} + \epsilon_t \quad (3)$$

$$\Delta V_t = \alpha + \beta_1 V_{t-1} + \sum_{j=1}^k \beta_j \Delta V_{t-j} + \epsilon_t \quad (4)$$

$$\Delta V_t = \alpha + \beta_1 V_{t-1} + \sum_{j=1}^k \beta_j \Delta V_{t-j} + \epsilon_t \quad (5)$$

Note: The null hypothesis is rejected on the ground that the absolute value of the calculated ADF test statistic is larger than the absolute value of the Mackinnon critical value.

Cointegration Test

These are several techniques for ECM in the existing literature. In this study, sophisticated econometrics techniques like Vector Error Correction Model (VECM) which is used for empirical investigation of the assets quality and profitability of deposit money banks in short and long run would be used. The VECM is more useful in Multivariate framework. To test for the presence of long-run equilibrium relationship, the Johansen's and Juselius (1990) and Johansen (1991) multivariate cointegration technique is employed. The cointegration test is based on the following equation.

$$\Delta V_t = \alpha + \beta_1 V_{t-1} + \sum_{j=1}^k \beta_j \Delta V_{t-j} + \epsilon_t \quad .6$$

Where α and β are 4×4 matrices and k is the lag length. The tests used here involved cointegration with linear deterministic trend in the vector auto regression (VAR).

Granger Causality Test

In conducting an econometric study, the direction of causal relationship among variables is determined according to the information obtained from the theory. Granger Causality test was used in order to test the hypotheses regarding the presence and the direction of the causality between assets quality and profitability of deposit money banks. For the purpose of this, the direction of

causality determines the direction of the relationship among variables and Granger Causality test has three different directions in respect of this and they include the following:

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 exogeneity: 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. The test is based on the following equation below

$$Y_t = \alpha_0 + \alpha_1 Y_{t-1} + \alpha_2 Y_{t-2} + \dots + \alpha_n Y_{t-n} + \beta_1 X_t + \beta_2 X_{t-1} + \beta_3 X_{t-2} + \dots + \beta_n X_{t-n} + \mu_{1t} \quad (7)$$

and

$$X_t = \alpha_0 + \alpha_1 X_{t-1} + \alpha_2 X_{t-2} + \dots + \alpha_n X_{t-n} + \beta_1 Y_t + \beta_2 Y_{t-1} + \beta_3 Y_{t-2} + \dots + \beta_n Y_{t-n} + \mu_{2t} \quad (8)$$

Where X_t and Y_t are the variables to be tested while μ_{1t} and μ_{2t} are white noise disturbance terms and n is maximum number of lags. The null hypothesis $\alpha_1 = \beta_1 = 0$ for all 1 's is tested against the alternative hypothesis $\alpha_1 \neq 0$ and $\beta_1 \neq 0$, if the coefficient of α_1 are statistically significant, that of β_1 are not, then X causes Y , If the reversal is true than Y causes X . However, where both coefficient of α_1 and β_1 are significant then causality is bi-directional.

RESULTS AND DISCUSSION

This study investigated the effect of foreign portfolio investment on the development of Nigeria stock market. In this section, the study will present the data, the results and discusses findings from the study.

Table 1: Unit Root Test at Level

Null Hypothesis: SMD has a unit root

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.830233	0.0119
Test critical values:		
1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673459	
Null Hypothesis: FPIS has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.177640	0.6566
Test critical values:		
1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673459	
Null Hypothesis: FPIMK has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.475541	0.1390
Test critical values:		
1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673459	

Null Hypothesis: FPIEC has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.240750	0.6293
Test critical values: 1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673459	
Null Hypothesis: FPIB has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.424592	0.5441
Test critical values: 1% level	-3.920350	
5% level	-3.065585	
10% level	-2.673459	

Source: E-view 9 output

The above table 4.1 evidenced unit root test results of selected data in the study. The results revealed non-stationarity of data at level except stock market development, this enable us to present the unit root test at difference.

Table 2: Unit Root Test at Difference

Null Hypothesis: D(SMD,2) has a unit root

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.144672	0.0001
Test critical values: 1% level	-4.057910	
5% level	-3.119910	
10% level	-2.701103	
Null Hypothesis: D(FPIS,2) has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.728488	0.0977
Test critical values: 1% level	-4.121990	
5% level	-3.144920	
10% level	-2.713751	
Null Hypothesis: D(FPIMK,2) has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.232819	0.0413
Test critical values: 1% level	-4.057910	
5% level	-3.119910	
10% level	-2.701103	
Null Hypothesis: D(FPIEC,2) has a unit root		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.020034	0.0003
Test critical values: 1% level	-4.004425	
5% level	-3.098896	
10% level	-2.690439	

Null Hypothesis: D(FPIB,2) has a unit root

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.862725	0.0789
Test critical values: 1% level	-4.121990	
5% level	-3.144920	
10% level	-2.713751	

Source: E-view 9 output

The above table 4.3 evidenced unit root test results of selected data in the study. The results revealed stationarity of data (integrated) at first difference, exhibited as: 1(1) at 5% significant level. This indicates that data have no unit root problem. Note, a data is said to have no unit root problem if the test statistics is greater than the critical value in absolute terms. This reveals that data employed can be used for meaningful decision making and forecasting.

Table 3: Cointegration test

Series: SMD FPIS FPIMK

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None*	0.748236	45.94707	29.79707	0.0303
At most 1*	0.226626	25.25121	15.49471	0.0408
At most 2	0.340993	12.51065	21.13162	0.4981
At most 3	0.228797	7.794122	14.26460	0.4000
At most 4	0.089307	1.403240	3.841466	0.2362

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None*	0.748236	40.68895	21.13162	0.0376
At most 1*	0.226626	33.85881	14.26460	0.0343
At most 2	0.340993	21.80868	29.79707	0.3093
At most 3	0.228797	9.298023	15.49471	0.3385
At most 4	0.089307	1.403240	3.841466	0.2362

Source: E-view 9 output

Table 3 above evidenced the Johansen co-integration test result that indicates the existence of one cointegrating long run relationship among variables selected in this study. We arrive at this conclusion by comparing the trace statistic against the Critical Values at 5% significant level. Therefore, the error correction mechanism is relevant to test and estimate parameters in order to capture the short run shocks not captured in the previous year.

Table 4: Pairwise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
FPIS does not Granger Cause SMD	15	0.78290	0.4832

SMD does not Granger Cause FPIS		4.67275	0.0369
FPIMK does not Granger Cause SMD	15	0.08603	0.9182
SMD does not Granger Cause FPIMK		0.56069	0.5878
FPIEC does not Granger Cause SMD	15	0.60034	0.5673
SMD does not Granger Cause FPIEC		1.57608	0.2541
FPIB does not Granger Cause SMD	15	0.93536	0.4242
SMD does not Granger Cause FPIB		0.24095	0.7903

Source: E-view 9 output

The results of the causality test presented in table 4.6 proved that the variables have independent relationship except one way causality from stock market development to foreign portfolio investment in stocks.

Table 5: Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FPIS(-1)	-1.673515	0.995733	-2.680686	0.0237
FPIMK(-1)	-1.170220	0.776259	-2.507512	0.0326
FPIEC(-1)	0.321027	0.192848	1.664660	0.1270
FPIB(-1)	2.138463	1.016296	2.104173	0.0416
C	-12.19691	7.553672	-1.614700	0.1374
ECM(-1)	-0.923730	0.312338	-2.957467	0.0144
R-squared	0.604450	Mean dependent var		-0.351875
Adjusted R-squared	0.506675	S.D. dependent var		7.719127
S.E. of regression	5.945858	Akaike info criterion		6.683263
Sum squared resid	353.5323	Schwarz criterion		6.972984
Log likelihood	-47.46610	Hannan-Quinn criter.		6.698099
F-statistic	3.056251	Durbin-Watson stat		2.028581
Prob(F-statistic)	0.002504			

Source: E-view 9 output

Results in table 5 portray foreign portfolio investment effect on Nigeria stock market development. The t-test output will be used to test the hypotheses formulated in the study. The error correction term will tell us the speed with which our model returns to equilibrium following short run fluctuations not captured in the Johansen co-integration test. The ECM coefficient of -0.923730 indicates that ECM is of right specification and the diagnostic statistics are appropriate. The negative sign depicts the short run adjustment of the explanatory variables to the explained variable. The ECM term also shows 1% extreme high speed of adjustment towards equilibrium. This implies that 1% of disequilibrium caused by exogenous shocks in the previous period is corrected in the current year. Using the a priori criteria of estimating the parameters, foreign portfolio investment in equity and bond meet the a-priori expectations while stock and money market failed to meet the a-priori expectations. Furthermore, the results of the test of the overall significance of the model using F-statistics shows that the entire model is statistically significant. We arrive at this conclusion because the F-statistics is greater than the F-probability. Coefficients of determination (R²) indicate that approximately 50.6 percent of total variation of stock market development in Nigeria is explained by foreign portfolio investment in the model. This means that

the model is of good fit. Finally, the Durbin-Watson statistics, is within the acceptable region thus, reveals the absence of first order autocorrelation.

Discussion of Findings

The study examined the relationship between foreign portfolio investment and the development of Nigeria stock market. Findings of the study revealed that foreign portfolio investment in stocks and money market have negative effect on the development of Nigeria stock market. It indicted that a unit increase in the variables reduces the development of Nigeria stock market by 1.6 and 1.1 percent within the periods of this study. The negative effect of the variables contradicts our a-priori expectations and relevant theories such as the efficient market hypotheses. The findings of the study contradict the findings of Nwonodi (2018) 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 and 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 findings of Osuka, Ezedike and Mbanasor (2022) positive relationship between foreign portfolio investment and Nigeria's Capital Market growth, Okonkwo (2016) significant positive relationship existing among foreign portfolio investment, gross fixed capital formation, market capitalization and industrial growth but confirm the findings of Onyeisi, Odo and Anoke (2016) a negative relationship between FPI and the Nigerian capital market.

However, the study found that foreign portfolio investment in equity and bonds have positive effect on the development of Nigeria stock market such that the variables added 0.3 and 2.1 percent for a unit increase within the study time periods. The positive effect of the variables confirm our expected results and in line with other empirical findings such as Ohaeri (2017) who found a unidirectional causality between capital market performance in one hand and also between foreign portfolio investment and capital flight on the other hand at 5% and 10% levels of significance respectively, Adebisi and Arikpo (2017) that financial market performance has no long run causal relationship with foreign portfolio investment in Nigeria. Also, capital market performance and capital market liquidity have no short run causal relationship with foreign portfolio investment in Nigeria and Olotu and Oliogu (2014).

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of foreign portfolio investment and the development of Nigeria stock market. Results indicated that approximately 50.6 percent of total variation of stock market development in Nigeria is explained by foreign portfolio investment in the model. From the findings, the study concludes that there is no significant relationship between foreign portfolio equity investment and the development of Nigeria stock market. The study concludes that there is significant relationship between foreign portfolio stock investment and the development of Nigeria stock market. The study concludes that there is significant relationship between foreign portfolio

in bonds and the development of Nigeria stock market. The study conclude that there is significant relationship between foreign portfolio in money market and the development of Nigeria stock market

Recommendations

- i. There is need to reform the structure of foreign portfolio investment into Nigeria financial market such that will enhance the development of the stock market.
- ii. Internal and external factors that hinder inflow of equity foreign portfolio investment into the Nigeria financial market should be eliminated through policies and investment friendly environment should be enhanced.
- iii. Policies should be advanced by the financial market regulatory committee widen the operational land scope of the Nigeria stock market in terms of instruments and operational efficiency to attract inflow of foreign investors

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 of 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., & Odia, 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. *America 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.
- Lucky, A. L., (2018). Marketing of Financial Service: Evidence from Nigeria Financial Market. *International Journal of Marketing Research Innovation* 2(1), 31-46
- Lucky, A. L., Akani, H. W., & Anyamaobi, C., (2015). Prudential determinants of stock prices of commercial banks in Nigeria: An application of fundamentalists and macroeconomic view. 1980 – 2014. *IIARD International Journal of Banking and Finance Research*, 1 (7), 1 – 27.
- 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. &Iscariot, H.,(2010).Trade Liberalization, Employment, Capital and Productivity Dynamics. *Latin American Economic Society* 14(7),178-204..
- Odionye, 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.*
- Porteba, 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.*