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2022/2023 PhD Thesis Abstract

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RT: External Financial Flows and Capital Market Performance in Nigeria

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AB: Capital market remains an effective channel of financial intermediation. It is also pivotal to private capital mobilization for financing domestic development. Despite the benefits, capital markets in developing economies are underdeveloped or underperforming, thus the attendant illiquidity, high cost of transactions, and other inefficiencies and lack of finance for development. Accessing capital from the capital market to augment the saving-investment gap has necessitated the high demand for external financial flows in Nigeria. External financial flows include Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Remittance from Personal Transfers (REPT), Remittance from Compensation of Employees (RECE) and Official Development Assistance (ODA). Extant literature on the link between external financial inflows and capital market performance in developing economies, focused on FDI and FPI, and total market capitalization as measure of capital market performance, with little attention on REPT, RECE, ODA and All Share Index (ASI). Therefore, the study examined the nexus between external financial flows—FDI, FPI, REPT, RECE, & ODA—and capital market performance measured by Total Market Capitalization (TMC) and ASI in Nigeria.

The study adopted *ex-post facto* research design. Annual data from 1981 to 2021 were sourced from the Central Bank of Nigeria Statistical Bulletin (2021), Nigeria National Bureau of Statistics (NBS) (2021), World Bank Reports (World Bank, 2021) and publications of Nigerian Exchange Group (NGX, 2021). Data were analysed using the Johansen cointegration techniques and Vector Error Correction Model (VECM) to examine long-run relationships and causal relationship respectively. The VECM approach combined all non-integrating tests in establishing

uniform and reliable estimates devoid of multiple testing procedures. The approach also utilized the co-integration restriction information.

Findings revealed long-run relationships between capital market performance and the external financial flows variables. The long-run estimates of external financial flows, FDI, FPI, REPT, RECE and ODA on total market capitalization were $\beta = 0.26, t = 6.07, p < 0.05$; $\beta = 0.11, t = 3.69, p < 0.05$; $\beta = 0.15, t = 4.81, p < 0.05$; $\beta = 0.17, t = 5.40, p < 0.05$; and $\beta = 0.29, t = 8.45, p < 0.05$ respectively. The result indicated that FDI and ODA exerted significant long-run positive effects on TMC. Similarly, the effects of the same external financial flows on ASI in the long-run were $\beta = -0.23, t = -3.29, p < 0.05$; $\beta = 0.26, t = 5.60, p < 0.05$; $\beta = 0.16, t = 2.9, p < 0.05$; $\beta = 0.32, t = 5.80, p < 0.05$ and $\beta = 0.20, t = 2.63, p < 0.05$ respectively. The result indicated FPI and RECE exerted significant long-run effects on ASI, while FDI had a negative effect. Findings on the causal relationships were mixed indicating bi-directional, uni-directional, and non-existent causality.

The study concluded that external financial flows improved capital market performance in Nigeria. Thus, policy efforts toward improving capital market performance should focus on attracting foreign direct investment, foreign portfolio investment, remittances and more official development assistance.

Keywords: All share index, External financial flows, Foreign direct investment, Foreign portfolio investment, Official development assistance, Remittances, Total market capitalization

Word Count: 489

Abbreviations: RFN: Researcher's Full Name, RD: Researcher's Department, RS: Researcher's School, RE: Researcher's Email, RAE: Researcher's Alternate Email, RP: Researcher's Phone Contact, RT: Registered Title, MS: Main Supervisor, ME: Main Supervisor's E-mail Address, SP: Main Supervisor's Phone Contact, CS: Co-Supervisor, CE: Co-Supervisor's E-mail Address, CP: Co-Supervisor's Phone Contact, AB: Abstract

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