



EFFECT OF GLOBALIZATION ON NIGERIA STOCK EXCHANGE AND CAPITAL MARKET LIBERATION ON ECONOMIC GROWTH (1981 – 2011)

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ABSTRACT

Liberalization of capital market is hypothesized to lead to the growth of the Nigerian capital market yet its effect at the macro-economy seems to have received negligible attention. The study therefore explored the effect of globalization on Nigeria Stock Exchange and economic growth from 1981 to 2011; and the effect of new stock issued on the capital market on globalization on the Nigerian economic growth. The study employed inferential statistics using a combination of ordinary least square regression and secondary econometrics test such as ADF and PP unit root test, and co-integration test in testing and analysis of data. The result of the analysis shows that, the coefficients of Trade Openness (TOPN), Total Inflow of Capital (TIC) and Net Flow of Capital (NFC) coefficient had a positive linear relationship with Total Market Capitalization of the Nigeria Stock Exchange (TMCSE) and if the variables increase, then Nigerian Total Market Capitalization of the Nigeria Stock Exchange value (TMCSE) will increase by 1.210, 0.550, and 4.72 percent respectively. Again, with the R^2 which stood at 0.655927 and the F-ratio of 10.96159 which was greater than the tabulated or F-critical value of 2.78 the *a priori* met. Similarly, the result indicates that injection of new stock into Nigeria capital market will have a significant effect on globalisation of Nigerian economy. This was statistically significant at 1% level; and at the same time has an R^2 value of 0.86. In order to establish the findings of this study, the following were recommended: the establishment of an institution that will ensure that the capital market executive's director maintained the rules and regulations that guided the market for the interest of the shareholders and of the economy at large so as to boost the financial responsibility of customer; There is need to ensure suitable macroeconomic environment that will encourage foreign multinational companies (MNCs) or their subsidiaries to be listed on the Nigerian Stock Exchange, relax the listing requirements to the first tier market and ensure tax rationalization in the capital market to encourage quotation and public interest in shareholdings; increasing the minimum equity capital requirements for companies other than banks, insurance companies and other financial institutions, encouraging merger and consolidation, discriminatory income tax in favours of public quoted companies.

1. INTRODUCTION

Globalization is a multifaceted contemporary economic and socio-political phenomenon that has elicited diverse interpretation and reactions, some of which are positive, while some are negative, depending on the context and situation of the perceiver. Globalization and capital market which came into the economic literature of Nigeria as a result of the introduction of Structural Adjustment Programme in 1986 has generated controversies among various scholars. The ambiguity and vagueness of the concept made every attempt to define it a subject of intense controversy among the experts (Okoro, 2012). Ogundele (2005) viewed globalization as the process of international integration of goods, technology, labour, capital, individuals, organization, institutions, that are implementing worldwide strategies which link and coordinate international activities on a global basis. Omoleye and Adewumi (2004) defined globalization as the increasing integration of regions and nations into world market, the overcoming borders and easing of transaction cost as frontiers barriers are eliminated. The definitions presuppose that globalization motive is on economic resources gain for the actors in the world market. A major aspect of financial intermediation is globalization and internationalization of financial transaction. Improvement in technology brought in internet banking, which today, makes it possible to transfer funds and invest in financial securities within the same economy and internationally within seconds (Ogunseye, 2009).

The Nigerian Stock Exchange market is a capital market which is a sub-set of the financial system that serves as the engine of growth in our modern economy. It is referred to as a capital market because it is a capital oriented, and has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. This is made possible through some of the vital roles played such as channelling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy (Alile, 1984). Ekundayo (2002) argued that a nation requires a lot of local and foreign investments to attain sustainable economic growth and development. The capital market provides a means through which this is made possible. However, the paucity of long-term capital has posed the greatest predicament to economic development in most African countries including Nigeria.

The development of capital market in Nigeria, as in other developing countries has been induced by the government. Though, prior to the establishment of a stock market in Nigeria, there existed some less formal market arrangement for the operation of a capital market. The capital market was not prominent until the visit of Mr. J,B Lobyne in 1959 at the invitation of the federal government to decide on the role the Central Bank could play in the development of local money and capital market. As a follow-up to this, the government commissioned and set up the Barback committee to study and make recommendation on the ways and means of introducing a stock market in Nigeria as a formal capital market.

The report of the committee led to the registration of a business name "the Lagos stock exchange" in March, 1960, through the collaborative effort of the central Bank of Nigeria, the business community and the Nigeria industrial development Bank. With the establishment of the central Bank of Nigeria in 1959 and the coming into existence of the Lagos stock exchange in 1961 and subsequently the Nigeria stock by an act in 1979, a sound foundation was laid for the operation of the Nigeria capital market for trading in securities of long term nature, needed for financing the industrial sector and the economy at large. By the mid 70's, the need for an efficient financial system for the whole nation was emphasized and a review by the government of the operation of the Lagos stock exchange market was advocated. The review was carried out to take of the low rate of capital formulation, the large channel of the currency in circulation which was held outside the banking system, the unsatisfactory demarcation between the operation of commercial bank and the emerging class of the merchant banks and the extremely shallow depths of the capital market (Anyanwu, 1997). In response to this, the government accepted the principle of decentralization but opted for a national stock exchange, which will have branches in different parts of the country. Thus, on December 2nd 1977, the memorandum and articles of association creating the Lagos stock exchange was transformed in the Nigeria stock exchange, with branches in Lagos, Kaduna, Kano, Port-Harcourt, Onitsha, Abuja and Ibadan (Anyanwu, 1998).

Theoretically, capital market liberalization is expected to have a positive impact on growth in the poorest countries but some strong positive evidence for middle-income countries, especially those that have characteristics, such as strong financial system, likely to make them attractive to foreign investors. In a attempt to substantiate the view that countries with strong financial system, effective prudential supervision and quality policies and institutionary likely to have positive effects of financial liberalization. Kraay (1998) stated that the effects of capital market liberalization depend on the strength of the financial system, the effectiveness of prudential supervision and regulation, and the quality of policy and institution with financial globalization is almost never positive and significant, and it is sometimes significantly negative.

The global and financial meltdown have a multiplier effect on Nigeria economy directly and indirectly due to the fact that many Nigerians of affluence acquired properties in America and other developed countries and established their businesses there. A good number of the multinationals which operate in Nigeria have their base in America and the rest of the world, so therefore any upheaval in the developed (American) economic and capital market (financial system) have a multiplier effect in Nigeria stock exchange (Ogunseye, 2009). The effect of global meltdown though does not really have much negative effect on Nigeria financial institution and capital market owing to the fact that before the crisis the then governor of central Bank of Nigeria implemented a policy on consolidation of the financial institution from ₦5billion to ₦25billion capital base, this makes the financial system a little immune from it (Ibid). According to Wikipedia (2008), the immediate causes of the present financial crisis stems from "the failure of large financial institutions in the United States. It rapidly evolved into credit crisis, deflation and sharp reduction in shipping, resulting in a number of European bank failures and decline in stock indexes and large reduction in the market value of equities and commodities worldwide.

The situation continues and later turns to currency crisis at the end of October 2008, and investors in the glob transfer their capital resources into stronger currencies. Thus, it might suffice to say that the relationship between economic growth and the Nigerian capital market (stock exchange) liberalization in face of the present global meltdown is a field of enquiry that remain in its infancy at least for the Nigeria and other developing African countries (Ogunseye, 2009). Therefore, this study will be undertaken to investigate the impact of globalization on the Nigeria stock exchange from 1980 to 2011 period of observation.

However, the Nigeria capital market (stock exchange) has been in existence for over half a century now and has become an integral part of the economy structure of the country. Thus, the functions of the stock exchange have in recent times been beset by a lot of problems. This has been due to social and institutional factors and other bottlenecks, which hindered its vibrancy and development. Meanwhile, it seems that the results from the previous studies on globalization on stock exchange and capital market account liberation on economic growth have not been clear and conclusive. The inconclusive nature of these results has been attributed to several reasons, including the difficulty of measuring the real global variables, policies of capital accounts liberalization, and the issue of distortions in the foreign capital transaction, as well as exchange rate restrictions. Distortions in capital movement have been a major characteristic of developing countries like Nigeria. Several studies address the circumstances under which restrictions are prevalent. The most robust regularity in the literature is the negative association between per capita income and controls, where the per capita income is typically interpreted in this context as a measure of economic development. It follows that the more developed the country, the more likely that it would have removed restrictions on capital flows.

In a bid to address the content of the work the following objectives were analysed; the effect of globalization on the stock exchange market and rate of economic growth in Nigeria economy; and the effect of new stock issued on the capital market on globalization on the Nigerian economic growth.

2. LITERATURE REVIEW

2.1. Theoretical Literature

The review of globalization, current global meltdown and stock exchange market may look myopic and insufficient if their evolution and how they are conceptualized by both local and foreign scholars are not given cursory attention. Globalization and global meltdown which had its way into the economic literature of Nigeria as a result of the introduction of Structural Adjustment Programme in 1986 has generated controversies among various scholars. There have been the growing concerns and controversies on the role of the stock markets globalization on economic growth and development (Sule and Momoh, (2009); Esang and Bassey, 2009). However, many growth literatures emphasize a number of factors that intermediate between capital market liberalization, globalization and economic growth. Investment, financial development and the stability of macroeconomic policy among other variables have been shown to be positively related to an economy's rate of growth (Levine and Renelt, 1992; Levine, 1997; and Barro, 1997).

These variables create channels through which globalization can potentially affect capital market liberalization, and economic growth; and studying the impact of capital market liberalization policy on these intermediate variables, therefore is away of inferring its implication for growth.

However, several researchers have attempted to analyze the connections between capital market liberalization policies and domestic investment. Demiurgic-Kunt and Levine (1996) relates the investment GDP ratio to IMF's measure of capital account openness. Similarly, Kraay (1998) found no impact on gross domestic investment a percentage of GDP using the IMF's index, the Quinn index, and gross capital inflows and outflows as human capital per worker, respectively. There have been mixed results; while some are in support of a positive link, some negative link and others do not find any empirical evidence to support such conclusion. They further posited that in a cross-country study of stock and economic growth of 40 countries from 1980 to 1988 that there was a significant correlation between the average economic growth and stock market capitalization. Levine and Zervos (1996) examined whether there was a strong empirical relationship between stock market development and long-run economic growth. They found a strong correlation between overall stock market development and long-run economic growth. Demiurgic-Kunt and Levine (1996) using data from 44 countries for the period 1986 to 1993 found that different measures of stock exchange size are strongly correlated to other indicators of activity levels of financial, banking, non-banking institutions as well as to insurance companies and pension funds. They concluded that countries with well-developed stock markets tend to also have well-developed financial intermediaries. Levine and Zervos (1998) used pooled cross country time series regression of 47 countries from 1976 to 1993 to evaluate whether stock market liquidity is related to growth, capital accumulation and productivity. They towed the line of Demiurgic-Kunt and Levine (1996) by conglomerating measures such as stock market size, liquidity and integration with world market, into index of stock market development. The rate of Gross Domestic Product (GDP) per capita was regressed on a variety of variables designed to control for initial conditions, political instability, investment in human capital and macroeconomic condition and then, included the conglomerated index of stock market development. They found empirically that the measures of stock market liquidity were strongly related to growth, capital accumulation and productivity while stock market size does not seems to con-elate to economic growth. Nyong (1997) developed an aggregate index of capital market development and used it to determine its relationship with long-run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. Four measures of capital market development-ratio of market capitalization to GDP (in %), ratio of total value of transactions on the main stock exchange to GDP (in %), the value of equities transactions relative to GDP and listing were used. The four measures were combined into one overall composite index of capital market development using principal component analysis. The financial market depth was included as control. It was found that the capital market development is negatively and significantly correlated with the long-run growth in Nigeria. Demiurgic-Kunt and Maksimovic (1998) cited in Henry (2000) found a relationship between economic growth and the stock market activity in the field of transmission of security (secondary market) more than in funds channeling (primary market).

Barlett (2000) demonstrated that a rising stock price raises the wealth of the economy (wealth effect) by encouraging increase in consumer's consumption and increase in investment. Ewan *et al.* (2009) appraise the impact of the capital market efficiency on the economic growth of Nigeria using time series data from 1961 to 2004. They found fact the capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth.

2.2. Overview of Capital Movement in Nigeria

Major interest is the net flow of capital in Nigeria; the difference between inflow and outflow of capital. The trend shows an irregular flow of capital in Nigeria. The net flow declined in 1981, picked up in 1982, and declined thereafter until 1986, when it rose to ₦2,499.6 million. The trend can be attributed to economic and political instabilities. On the average, the net capital flow was about ₦6,912,41 million. This average is comparatively low for a high resource endowed country like Nigeria. Using the ratio of total capital flow (TCP) to the Gross Domestic Product (GDP) as proxy for capital market liberalization, the ire shows an interesting trend. Nigeria has been slow in positive implementation of its capital market liberalization policies. This is reflecting in the low average GDP share of total capital flow of barely 5 percent for the period under study. It appears that capital market in Nigeria is still very far *from* been liberalized so as to encourage foreign domestic investments (Anyanwu, 1997).

Alternative measures of financial openness, Kraay considers the possibility that capital market liberalization positively affects investment only in countries where risk adjusted returns exceed the world average, that is where liberalization will lead to inflow of capital rather than outflow. Using the average balance on the financial account of the balance of payments as proxy for risk adjusted returns, (Kraay, 1998) observe a positive impact on investment when this variable is pressed on capital account openness. The regression coefficient, however, differs significantly from zero for only one of Kraay's three measures of capital accounts openness, that is, the actual gross capital inflows and outflows. Klein and Olivei (1999) found that capital market liberalization stimulates financial depth (measured variously as change in the ratios of liquid liabilities to GDP, claims on the non-financial private sector). But the correlation between capital market liberalization and financial depth has been found limited in less developed countries; the relationship fails when these countries are excluded from the stuffy sample. It has been noted severally that the impact of capital market liberalization, globalization, and economic growth is indirect (for example, an open capital market encourages financial development, which in turn encourages growth) and contingent on a range of intervening factors. This may explain the difficulties in documenting a direct link between capital market liberalization and economic growth.

3. DATA AND METHODOLOGY

The study examined the effect of globalization on the Nigeria capital market from 1980-2011 using an econometric analysis. The econometric analysis is used to evaluate estimate and analyze the influence of the globalization on stock exchange (capital market), with explanatory variables as; Trade Openness (TOPN), Total Inflow of Capital, (TIC), Foreign Direct Investment (FDI), and Net Flow of Capital (NFC), while Total Market Capitalization of the Nigeria Stock Exchange (TMCSE) become the dependent variable.

Specifically, the researcher adopted the Ordinary least Square (OLS) method of estimation in order to derive the parameters of the model. In order to avoid the problem of spurious regression, the time series properties of data series employed in the estimation equation is tested for stationary using Augmented-Dick-Fuller (ADF), Philip Perron unit root test. To investigate whether there is long run relationship among the variables in estimation we employed the Johansen test for co-integration. The trace test is based on the comparison of the null hypothesis, $H_0 (r = 0)$ against the alternative, $H_1 (r = 0,)$ where r stands for the number of co integrating vectors. If the alterative is accepted, it implies co-integration among the variables and suggests long-run relationship among the variables. The functional form, on which our econometric model was based, employed a multiple regression equation model in this work. However, to investigate this study data were obtained from Central Bank of Nigeria's (CBN) Statistical Bulletin, from 1980 to 2011.

Model Specification

$TMCSE = f(TPON, FDI, TIC, NFC) \dots$ implicit

Mathematically, this implicit functional relationship was specified in explicit stochastic linear form as thus:

$$TMCSE = \alpha_0 + \alpha_1 TOPN + \alpha_2 TIC + \alpha_3 NFC + \alpha_4 FDI + \mu_1$$

However, the Log Linear specification is specified as thus:

$$\text{Log } TMCSE = \alpha_0 \log + \alpha_1 \log TPON + \alpha_2 TIC + \alpha_3 \log NFC + \alpha_4 FDI + \mu_2$$

Where:

TMCSE = Total Market Capitalization of the Nigeria Stock Exchange

TOPN = Trade Openness, thus, the volume of trade (import plus export) is used as proxy of trade openness.

FDI = Foreign Direct Investment,

TIC = Total Inflow of Capital,

NFC = Net Flow of Capital and

α_0 = Constant,

$\alpha_1, \alpha_2, \alpha_3,$ to α_4 = Co-efficient of the respective independent variable.

μ = Stochastic error term, Log = logarithm.

The general form of (ADF) test is estimated by the following regression.

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \sum^n \alpha_i \Delta y_i + \varepsilon_t \quad (1)$$

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \sum^n \alpha_i \Delta y_i + \delta_t + \varepsilon_t \quad (2)$$

Where:

y is a time series, t is a linear time trend, Δ is the first difference operator, such that $\Delta y_{t-1} = y_t - y_{t-1}$, α_0 is a constant, n is the optimum number of lags in the dependent variable and ε_t is the random error term.

The null hypothesis is that $\alpha_1 = 0$. If the null hypothesis $\alpha_1 = 1$, then we conclude that the series under consideration $\Delta(y_t)$ has a unit root and is therefore non-stationary.

The Philip- Person (PP) Unit Root Test is implemented to justify the results ADF test. The equation is thus:

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \varepsilon_t \quad (3)$$

Co-Integration Test

This was used to test for the long run relationship between the variables. Johansen co-integration approach will be undertaken by the researcher in the course of the analysis. Johansen’s methodology takes its starting point in the vector auto regression (VAR) of order P given by

$$y_t = \mu + \Delta_1 y_{t-1} + \dots + \Delta_p y_{t-p} + \varepsilon_t$$

Where, y_t is an $n \times 1$ vector of variables that are integrated of order commonly denoted (1) and ε_t is an $n \times 1$ vector of global variables.

This VAR can be rewritten as:

$$\Delta y_t = u + \eta_{y_{t-1}} + \sum t_i \Delta y_{t-1} + \varepsilon_t$$

To determine the number of co-integration vectors, Johansen (1988, 1989) and Johansen and Juselius (1990) suggested two statistic test, the first one is the trace test (λ trace). It tests the null hypothesis that the number of distinct co-integrating vector is less than or equal to q against a general unrestricted alternatives $q = r$. the test was calculated as:

$$\lambda \text{ trace } (r) = -T \sum \ln (1 - \lambda_t)$$

Where:

T is the number of usable observations, and the $\lambda_{1,s}$ are the estimated eigen value from the matrix.

The Second statistical test is the maximum eigen value test (λ max) that is calculated according to the following formula

$$\lambda \text{ max } (r, r + 1) = -T \ln (1 - \lambda_{r+1})$$

4. RESULTS

This section shows the analysis of data, presentation of results, and discussion of the results in line with specific objectives.

Globalization on The Stock Exchange Market and Rate of Economic Growth

Table 1 presents the analysis of the effect of globalization on the stock exchange market and rate of economic growth in Nigeria economy using econometric model. The variables of analysis were: Total Market Capitalization of the Nigeria Stock Exchange (TMCSE) as dependent variable while Total Inflow of Capital (TIC) and Net Flow of Capital (NFC), Foreign direct investment (FDI), Trade openness (TOPN) were the independent variables

Table 1: Impact of globalization on the stock exchange market and rate of economic growth

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	3.919722	2.678739	1.463272	0.1569
LogFDI	-0.114455	0.453610	-0.252319	0.8030
LogTOPN	1.210924	0.289316	4.185470	0.0004
LogNFC	0.550714	0.209892	2.623799	0.0152
TIC(-1)	4.72E-05	2.26E-05	2.085910	0.0483
R-squared	0.655927	Mean dependent var		11.65996
Adjusted R-squared	0.596089	S.D. dependent var		2.597541
S.E. of regression	1.650841	Akaike info criterion		4.000880
Sum squared resid	62.68137	Schwarz criterion		4.238773
Log likelihood	-51.01232	F-statistic		10.96159
Durbin-Watson stat	1.396700	Prob(F-statistic)		0.000040

Source: E-views version 3.1 authors' computation.

The result of the analysis as presented in Table 1 shows that, the coefficients of Trade Openness (TOPN), Total Inflow of Capital (TIC) and Net Flow of Capital (NFC) coefficient had a positive linear relationship with Total Market Capitalization of the Nigeria Stock Exchange (TMCSE). This entails that if the Trade Openness (TOPN), Total Inflow of Capital (TIC) and Net Flow of Capital (NFC) in Nigeria increases, then Nigerian Total Market Capitalization of the Nigeria Stock Exchange value (TMCSE) will increase by 1.210, 0.550, and 4.72 percent respectively. The result is in line with initial expectation because theoretically, the sign of the coefficients are expected to be positive (i.e. directional relationship with that of aggregate Nigeria Stock Exchange value (TMCSE)). The implication is that an economy with globalization affair in her stock exchange market will experience increase in her TMCSE as a trade transactions become favourable to her domestic economy. This could be as a result of positive increase from Trade Openness (TOPN), Net Flow of Capital (NFC) and Total inflow of capital (TIC) growth rate in Nigeria.

However, the resultant effect of the finding is that Nigerian economy will always and equally experienced higher aggregate output contribution from the productive sector since capital formation and credit to real economic sectors will be made avertable, which in turn will results to full-employment, since not all the total resource of that country were fully employed before, but if that all the economic resource of the country were to be employed, then the country aggregate output GDP will increased as the Market Capitalization of the Nigeria Stock Exchange increased impacted by Globalization effect. Thus, the variable (TOPN, TIC and NFC) are statistically significant to the study at 5 percent significance level.

The coefficient of Foreign Direct Investment (FDI) shows that there exists a negative relationship with the Total Market Capitalization of the Nigeria Stock Exchange (dependent). This implies that a percent change (increase) in Foreign Direct Investment (FDI) (i.e. once the economic financial resource percent that will employed as a profiler investment in the Nigeria stock market decrease, will brought about change (decrease) in the Total Market Capitalization of the Nigeria Stock Exchange value in Nigerian economy by 0.114455percent. This is not in line with the *a priori* expectation. Thus, this variable (FDI) is statistically insignificant at 5% level of significance.

Meanwhile, the R^2 stood at 0.655927 percent. This implies that about 66% of the total variation in Total Market Capitalization of the Nigeria Stock Exchange value (TMCSE) was explained by the explanatory variables employed in this study. While variables that were not included in the model, account for about 44% of the remaining variation in Total Market Capitalization of the Nigeria Stock Exchange in Nigeria during the period under review. The F-ratio, which is the joint test of significance of all parameter estimated in the model is statistically significant at 5 percent level. And with the calculated F- ratio of 10.96159 which was greater than the tabulated or F- critical value of 2.78, it is concluded that globalization has significant impact on the Nigeria stock exchange market and the rate of economic growth in Nigerian economy. Again, the test for incidence of serial correlation or autocorrelation (Durbin-Watson) which indicates 1.36700 shows that the presence of first order autocorrelation in the model is inconclusive, since the DW calculated is greater than the d_L 1.22 but less than the d_U 1.55 at 5% significant level.

Effect of New Stock on Globalization

In order to determine the effect of new stock issued on the capital market on globalisation of Nigerian economy, Trade Openness (TOPN) which represents the volume of trade (import plus export) was regressed against Total Inflow of Capital (TIC) – the new stock. Trade openness is equally described as the index of commercial openness (ICO) was measured as a trade dependency ratio. The output of the result is as shown Table 2.

Table 2: Effect of new stock on globalization and growth of economy

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	717.4179	5215.354	0.137559	0.8916
TIC	1.734531	0.138326	12.53940	0.0000
R-squared	0.858107	Mean dependent var		1289.932
Adjusted R-squared	0.852650	S.D. dependent var		71859.21
S.E. of regression	27584.06	Akaike info criterion		23.35661
Sum squared resid	1.98E+10	Schwarz criterion		23.45177
Log likelihood	-324.9926	F-statistic		157.2367
Durbin-Watson stat	2.977405	Prob(F-statistic)		0.000000

The result of the regression as shown Table 2 indicates that injection of new stock into Nigeria capital market shows a statistically significant positive impact or effect on globalisation of Nigerian economy. This finding is justified as the coefficient of TIC was positive and statistically significant at 1% level. Again, value of R^2 which stood at 0.86 shows that about 86% of the effect on globalisation was explained by the included variable – TIC. Thus, the more the new stock is injected into the capital market, the higher the level of globalisation of the economy. This finding is in consonance with Igberi, Awoke, Nwibo, and Odoh (2012); Akanni, Akinleye, and Oyebanjo (2009) who deduced that injection of new stock was positively related to growth, especially in the short run. This was justified as trade openness will result to inflow of capital which will contribute positively to economic growth by facilitating the exploitation of economies of scale, relieving the binding constraint to allow increases in the import of capital and intermediate goods, enhancing efficiency through increased competition, and promoting the diffusion of knowledge through learning by doing.

5. CONCLUSION

This study explored the macroeconomic impact of the activities of globalization on Nigeria stock exchange and economic growth from 1981 to 2011. The analysis of data shows that the coefficients of Trade Openness (TOPN), Total Inflow of Capital (TIC) and Net Flow of Capital (NFC) have positive linear relationship with Total Market Capitalization of the Nigeria Stock Exchange (TMCSE). Thus, a conclusion that globalization has a positive impact on the Nigeria capital market (stock exchange) and the economic growth.

Based on the finding, the study recommended the establishment of an institution that will ensure that the capital market executive's director maintained the rules and regulations that guided the market for the interest of the shareholders and of the economy at large so as to boost the financial responsibility of customer. There is need to ensure suitable macroeconomic environment that will encourage foreign multinational companies (MNCs) or their subsidiaries to be listed on the Nigerian Stock Exchange, relax the listing requirements to the first tier market and ensure tax rationalization in the capital market to encourage quotation and public interest in shareholdings. There is need for Nigerian capital market to diversify its investment portfolio through fixed physical domestic investment as it will enhance or boost the investment volume and value thereby reducing unemployment which hitherto will significantly increase the nation's economy.

For new issues in the market, increasing the minimum equity capital requirements for companies other than banks, insurance companies and other financial institutions, encouraging merger and consolidation, discriminatory income tax in favours of public quoted companies should be reconsidered so as to encourage more participation in the market. Lastly, there should be improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of shares.

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